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ABSTRACT

This report examines the viability of creating a new-schools incubator and identifies appropriate incubator services. A new-schools incubator, an entirely new organization designed to provide expertise and support to school founders during their planning process, may meet the needs of school founders facing the challenges of planning effective new schools. The report details the growing need for new schools, the challenges to school startup, and the theory behind incubation. In addition, it provides lessons learned from interviews with business incubator directors relevant to the design and planning for a schools incubator. Sections II and III establish the rationale for a schools incubator. The report utilizes school-enrollment projections and data from existing school-reform initiatives to demonstrate the growing need for new schools. It also describes the challenges for new-school startups based on interviews with school founders. These challenges include the lack of access to resources and technical expertise and a shortage of startup financing. Sections IV and V propose implications and recommendations for structuring a schools incubator, paying close attention to how business incubators work. The report closes with recommendations for the ways school-incubator developers can ensure the viability of a new-schools incubator. (RJM)

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Stimulating the Supply and Building the Capacity of New Schools and School Developers

Recommendations for the Design and Implementation of a New Schools Incubator

Abigail Winger

June 2000

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PREFACE

Today's major public school reform initiatives all depend on the supply of a new cadre of strong school organizations. They require schools with focus, teamwork expertise, adaptability, and problem-solving skills. Many schools, especially in big cities, have performed at such a low level for so long—and are so internally divided—that the only way to preserve children's learning opportunities is to create promising new schools. While much attention has been focused on encouraging new school designs in public education, little thought has been given to stimulating the supply and building the capacity of new schools and school developers. Starting a new school is no easy task. School founders must develop education and (often) business plans, find facilities, hire strong staff, recruit students, build effective governance and accountability structures, clarify the bases on which others should hold them accountable, and navigate state and local assessment and reporting requirements. Most districts either lack the central office capacity to start new schools, or fail to provide needed help in a timely manner. Once new schools are up and running, they face considerable pressures that can pull them apart (i.e., new mandates from the district, incoming staff who do not share the school's philosophy, diverse demands from parents). Currently, there are no existing organizations that schools can turn to for help with these challenges. Effective new school organizations must depend on political savvy and, too often, luck.

With a staggering number of failing urban schools, increasing performance pressure from states and districts, and escalating demand for new schooling options such as small schools and charter schools, it is increasingly important for policy makers and practitioners to invest in building effective new schools "from scratch." To help address that challenge, the Center on Reinventing Public Education is developing new strategies to stimulate the supply of new public schools that are focused, effective, and accountable.

Since mid-1999, we have been developing the concept of a new schools incubator—a new institution that invests in the development of new schools before they open. A new schools incubator will give groups of school administrators, teachers, parents, and community leaders the opportunity and the space to work together and to receive expert guidance and tools, long before the first day of school. In an incubator, groups slated to open a new school can try out and choose instructional materials and approaches. They can plan how they will select and prepare teachers, develop materials to explain the school to parents and students, choose sources of ongoing advice and assistance, find and adapt facilities to fit the instructional program, search for

funding sources, decide how they will assess and demonstrate performance, and learn how to manage their financial and legal responsibilities.[1]

We asked Abigail Winger to help us develop the schools incubator concept and provide recommendations for what our Center, and others interested in the concept, should know before attempting to create a new schools incubator. Specifically, we asked her to identify the needs of new school founders and the challenges of incubator start-up and to identify appropriate incubator services. Ms. Winger's findings and recommendations, which are based on her interviews with business incubator operators and new school founders, follow. We have found her recommendations extremely useful for our own purposes and are publishing the report to share them with others interested in developing a schools incubator, or in finding creative new ways to support new school start-up.

Robin Lake, Associate Director
Center on Reinventing Public Education
Seattle, WA
June 2000

[1] For those interested, we have included an overview of our plans for the Northwest Schools Incubator in the Appendix.

EXECUTIVE SUMMARY

An increasingly pressing issue impacting the quality of educational services in the United States is the country's growing need for new public schools equipped to meet the unique demands of this generation's students and policy environment. Factors such as enrollment growth, the threat of school reconstitution, the expanding charter school movement, and an increasing preference for small schools all combine to create the demand for new schools.

Creating a new schools incubator, an entirely new organization designed to provide expertise and support to school founders during their planning process, is one solution that may meet the needs of school founders facing the challenges of planning effective new schools.

In order to inform potential school incubator developers, this report examines the viability of creating a new schools incubator and identifies appropriate incubator services. It details the growing need for new schools, the challenges to school start-up, and the theory behind incubation. In addition, this report provides lessons learned from interviews with business incubator directors relevant to the design and planning for a schools incubator. Finally, the paper closes with recommendations for ways school incubator developers can ensure the viability and impact of a new schools incubator.

Challenges of School Start-Up

Several common barriers typically hinder the smooth start-up of new schools:

- *Lack of access to resources and technical expertise*: School founders often lack contacts with experts in the political, practical, and technical aspects of starting schools, and they do not know where to tap the educational resources their schools might need.
- *Lack of start-up financing*: There is little financing available to school founders for planning, programs, and building renovation or construction.
- *Lack of time and space for planning*: Many school founders lack the structured time and space needed to create an educational program, school policies, and a financial plan.
- *Lack of access to others with founding experience*: Due to their isolation from others who have created schools, founders feel like they have to "reinvent the wheel" when creating school policies and programs. This can create delays and disorganization in the planning process.

Building an Effective Schools Incubator

A new schools incubator structured to aid in surmounting these start-up challenges is an adaptation of the business incubator—an organization formed to accelerate the development of potentially successful entrepreneurial companies by providing hands-on assistance and a variety of business and technical support services during the vulnerable early years. A schools incubator can provide similar support in school planning and start-up by addressing such issues as obtaining financing for planning, programs, and facilities and linking founders with expert mentors. Since the concept of an incubator in education is just emerging, a schools incubator will need to rely on the decades-long experience of business incubators as a model for incubation. This report specifically utilizes interviews with business incubator directors in the Pacific Northwest and translates lessons learned from these existing organizations into recommendations for schools incubator development. The following are highlights of the report's recommendations:

- A schools incubator must specify the intended impact of its services and clearly outline its objectives to create that impact.
- A schools incubator should focus on serving schools up to their opening, unless the incubator is part of a much larger organization capable of providing on-going support to founders once their school is opened.
- A schools incubator should focus on providing targeted assistance to strong applicant groups in order to have the most impact in creating successful new schools.
- A schools incubator must establish rigorous entry requirements for incubation.
- A schools incubator should judge applicants based on their skill and school design without requiring the adoption of specific educational programs.
- A schools incubator must develop indicators of successful incubation to use as benchmarks in the process.
- A schools incubator should provide links to foundations and philanthropists willing to fund school start-up, as well as create a loan fund for school founders' capital finance needs.
- A schools incubator should cultivate relationships with districts and providers of expertise to facilitate its networking function.
- A schools incubator needs an incubator manager with interpersonal skills who will be able to interact effectively with school founders.

- The development of a schools incubator is a viable option for having an impact on education reform, as the expertise and resources to successfully support school founders exist and need only to be coordinated by a connected organization.

I. INTRODUCTION

While issues like vouchers, teacher testing and standards-based accountability dominate the current education reform agenda, one emerging dilemma is often overlooked: the growing national need for new schools equipped to meet the unique demands of this generation's students and policy environment. It is well established that current school capacity will not meet the needs of the growing K-12 population, necessitating the creation of new schools. While traditional approaches to new school start-up have entailed little more than providing a building and inserting staff, programs, and policies, the ensuing failures of many schools based on the old start-up model raise questions about its merits. In addition, there is a move toward encouraging non-traditional founders to sponsor new schools with unique, localized programs, yet many of these founders face challenges to working through the unfamiliar process of school start-up. These realities all point to the need for better planning before schools open to ensure focused, coherent, functional schools able to successfully educate students.

Multiple organizations across the country, including the University of Washington's Center on Reinventing Public Education, are exploring the concept of a new schools incubator—an entirely new type of organization designed to meet the needs of school founders facing the challenges of planning effective new schools. This new schools incubator is based on the successful model of the business incubator. Incubators, in general, are meant to reduce the risk of start-up by providing access to resources and expertise otherwise unavailable to entrepreneurs. While schools maintain significant differences from businesses, the many similarities in both organizations' start-up challenges and support needs lead to the recognition that school incubator developers can learn from the structure of existing business incubators.

At the Center's request, I developed and implemented a research plan to provide information about the needs and challenges of new school founders and to generate information about the process of creating an effective incubator. In order to learn about the needs of new school founders, I engaged in interviews with eight recent school founders to draw out the challenges of school start-up. To learn more about the possibilities of an incubator and the challenges it is likely to face, I conducted a brief literature review on the theory behind incubation and then interviewed five business incubator directors to elicit key issues that need to be addressed in the structuring of an incubator. These data have been compiled for the first time in this report and have led to the formulation of recommendations for an organization attempting to create a new schools incubator.

This report provides the rationale and recommendations for the creation of a schools incubator, relying heavily on comparison with and analysis of a parallel institution, the business incubator. Sections II and III establish the rationale for a schools incubator. Section II presents the need for

a new schools incubator given the need for new schools nationwide. The analysis utilizes school enrollment projections and data from existing school reform initiatives to demonstrate the growing need for new schools. The Section also describes the challenges for new school start-up, derived from interviews I conducted with recent school founders about the difficulty of starting schools with little planning and assistance. Section III details the theory behind incubation, based on the business incubator model, and shows how a new schools incubator might help schools overcome the challenges of start-up. Sections IV and V propose implications and recommendations for structuring a schools incubator. Section IV addresses how business incubators work, presenting findings from interviews with current business incubator operators, and considers implications for new schools incubators. Section V concludes by outlining specific recommendations for the creation of a new schools incubator regarding its structure and operations.

II. THE NEED FOR A NEW SCHOOLS INCUBATOR

Numerous factors indicate the need to provide new functional schools. Hampering this growing need for schools are the many barriers facing those interested in founding a school. These barriers may result in the creation of schools that lack focus and have difficulty coalescing as healthy, cohesive organizations. The factors that contribute to the need for new schools and the challenges of the school start-up process are discussed in the following section. A schools incubator structured to support the creation of organizationally sound new schools has the potential for alleviating the many barriers and entrepreneurial challenges of school start-up.

Need for New Schools

- **Enrollment growth:** There are a growing number of forces compelling the creation of new schools both in the State of Washington, where the Center is located, and in the United States. The primary driving force behind this need for new schools is the growing student population. In the next decade, Washington's K-12 population will increase by 200,000 students, creating the need for an estimated 340 new schools.[1] The nation's school age population will also grow in the next decade. Specifically, the United States will educate an estimated 1.3 million additional high school students in this period.[2] The current school building capacity is not large enough to serve this many new students.

- **Policies to turn around failing schools:** The performance accountability and standards-based reform movements have also created a need for new schools. In total, seven states have passed legislation that allows them to take over an academically bankrupt school.[3] While only 50 schools in just two states had been reconstituted by the state as of January 1999, many more schools may have been reconstituted by their districts, which also have the authority to reconstitute or redesign failing schools.[4] Reconstitution occurs when an agent external to the school responds to persistently low student performance by removing and replacing the school leadership and at least a portion of the school staff. Reconstitution, in effect, creates a new school organization on an existing site. In 1983, San Francisco was one of the first districts to reconstitute a school, and since then, schools in at least seven other

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[1] Robin Lake and Paul Hill, Proposal to the Stuart Foundation (Seattle: Center on Reinventing Public Education, 1999), p. 2.

[2] Richard W. Riley, "Annual Back-to-School Address: Changing the American High School to Fit Modern Times" (Washington, D.C.: The National Press Club, 1999), p. 1.

[3] *Education Week*. "Quality Counts '99: Rewarding Results, Punishing Failure," Vol. XVIII, No. 17, January 11, 1999.

[4] *Ibid.*

states have been reconstituted by their district.[5] Reconstituted schools may not carry the burden of obtaining new buildings, but new leaders do need to put a new program in place. Reconstitution as a school reform tool has had decidedly mixed results. Done well, it can mean a positive start with good chance for a successful turnaround. Done poorly with little preparation or assistance, it is almost surely a disaster—a waste of money, energy, and morale. Because districts are poorly equipped to provide the necessary tools and assistance, too often reconstitution has resembled the latter.

As part of Washington's school improvement strategy, the A+ Commission, an accountability committee appointed by the governor, may require that the state reconstitute schools that consistently do not make progress in meeting school improvement goals. While it is not yet clear how many schools, if any, would be impacted by such a policy decision, early signs indicate that the need for new or transformed schools could be fairly high. In a presentation to the state accountability commission, Superintendent of Public Instruction Terry Bergeson noted that 10% of school districts (27 districts) had made no gains toward their 2001 Grade 4 reading goal in the 1999 school year. While all schools within these districts would not need reconstitution, it is entirely possible that at least one school within each of these low-performing districts may require such action.

- **Growth of the charter school movement:** More evidence of the need for new schools has arisen from the growth of the charter school movement, which began in 1991. Charter school laws provide the opportunity for non-traditional groups such as parents, teachers, and community members to create public schools from scratch using public funding and based on public accountability for academic results. There are currently 1,680 charter schools in the 36 states (and the District of Columbia) that have passed charter school laws.[6] This number continues to grow as additional states pass charter school legislation. While Washington has not passed charter school legislation, the possibility is pending a proposed statewide ballot initiative in Fall 2000 and the subsequent legislative session. Neighboring states Oregon and Idaho both have charter school laws.

- **Increased preference for smaller schools:** The rising popularity of small schools is another indication that many more new schools may be needed in the future. Based on research linking small school size to improved student achievement, safer school environments, better served special-needs students, and encouragement of teacher innovation and ownership, the U.S. Department of Education has chosen to promote small schools as one of ten reform

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[5] "State Takeovers and Reconstitutions" (Denver: Education Commission of the States Policy Brief, 2000), p. 5.
[6] "CER Releases Official Charter School Numbers for 1999-2000 School Year" (Washington D.C.: Center for Education Reform, 1999). ...lreform.com/press/990830bis.htm

strategies for its New American High Schools Initiative.[7] Creating small schools may mean building new small schools in the place of a large one, or turning existing large school buildings into homes for multiple autonomous and distinct smaller schools. The scope and uniqueness of such transformations is new territory for most districts and the pressure for uniformity is bound to clash with the emerging small school philosophy, putting true change in jeopardy.

- **Public dissatisfaction with existing schools:** There is growing public dissatisfaction with existing public schools. This dissatisfaction may indicate a need for new schools different than the ones that exist already. According to a 1999 report by *Public Agenda Online*, 26% of the public has "very little" confidence in public schools, compared with 11% in 1973. Conversely, only 36% have "a great deal" of confidence in public schools, compared with 58% in 1973.[8] One way to increase satisfaction with public schools is to create new schools to meet the needs of the public.

- **Philanthropic interest:** Philanthropists have expressed interest in providing funding towards creating new and different schools. The New Schools Venture Fund, a Silicon Valley venture philanthropy fund created by technology venture capitalists and entrepreneurs, supports education entrepreneurs, including people interested in new school creation. In other efforts, the Children's Scholarship Fund, with its focus on private vouchers, has expressed interest in thinking about how new schools can be created to provide options for children in areas where there are no alternatives to existing public schools. The Bill and Melinda Gates Foundation's High Schools Initiative has solicited proposals from individuals or groups wanting to start new schools or from schools that wish to engage in comprehensive transformation. Philanthropy, in general, shows signs of concern that there is a shortage of new schools designed for the needs of the twenty-first century.

The Challenges of New School Start-Up

In spite of the growing demand for new schools, they are not easy to create. Lack of capital and start-up financing and insufficient operational expertise are some of the barriers that make it difficult for the successful opening and operation of new schools. While there is ample research about how schools fail once in operation, there is little information available about the process of starting new schools. Recognizing this dearth of information, the Center requested that I generate information about the process of starting new schools. During the spring and summer

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[7] Key High School Reform Strategies: An Overview of Research Findings (Washington D.C.: U.S. Department of Education, 1999).

[8] *Public Agenda Online*. "People's Chief Concerns," December 8, 1999. www.publicagenda.org

of 1999, I conducted interviews with eight new school founders in the Seattle area to document the process of founding new schools and to ascertain both the assistance and challenges new school founders experienced. The founders interviewed and their schools represented a diverse range. The schools were private, parochial, neighborhood public, and public schools of choice; the founders encompassed parents, teachers, and administrators. The information from these interviews is coupled here with other national research data detailing the challenges of new school start-up.

Common start-up challenges among school founders in Washington State

Although these founders came from different school start-up environments, they encountered some common barriers in the process of creating their schools:

- Lack of access to resources and technical expertise
- Lack of start-up financing
- Lack of time and space for planning
- Lack of access to others with founding experience

This section details some of these barriers and explains how some schools successfully addressed them.

Lack of access to resources and technical expertise

Many school founders I interviewed were inexperienced with school start-up and operation and did not know to get the advice and tools they needed. Founders often had little technical expertise with marketing, financial planning, legal regulations, or how to access available resources. Many founders had no contacts with people possessing expertise in the political, practical, and technical aspects of starting schools and did not know where to tap the educational resources their schools might need. For example, one former high school social studies teacher who proposed a focused public school of choice in Bellevue was backed by the school board but not the district administration, and the politics of this situation made it difficult to obtain resources. While this teacher knew exactly how to structure the curriculum, he ran into administrative hassles because he had no inside connection at the district level. This founder's experience is typical of the experiences of most of the other interviewed founders. One exception, however, highlights the importance of access to resources. A former teacher and current administrator who was about to open an environmentally-themed public school of choice had at that time worked for five years at the Lake Washington school district's staff development office. She knew the organizations to contact for expertise and the names and phone numbers of

schools implementing similar models and was able to gather ample information during her planning process. This led to a smooth and informed process of opening her school.

Some founders (typically, parents and teachers) were not aware of the support that was available, resulting in a lack of access to resources and expertise. At other times, schools were denied access to needed resources because districts were pressured by the community to start new schools but were not supportive of these entities. This is evident in one founder's statement about what he had needed:

> *[I needed] complete and full district support and communication, and assistance, and someone at the other end of the phone and will pick it up who will provide an answer for your question and get someone out here to help you. And again, I think some of the reason that doesn't occur is that the board got out in front of the administration. I think many school district administrations around the country are not actually managerially equipped to do this sort of thing. I mean that kindly. I think they're not equipped to do this. I think this is too hard, too challenging, and too unknown.*

Sometimes, the particular resources and expertise needed just did not exist because there has traditionally been no demand for them. In the past districts or religious organizations started new schools simply by securing space and assigning staff. The idea of creating a skilled team of staff with a shared vision was not a part of this process.

Lack of start-up financing

Another barrier to school start-up revealed in the interviews is the lack of start-up financing available for planning, programs, or building renovation or construction. One parent dedicated 14 years to the creation of a new Catholic high school. The process took that long because of difficulties obtaining space. After he went through the arduous process of securing financing to build a new facility, he could not find a suitable interim school, and the school under construction experienced numerous delays. Many other founders noted that it was difficult to find funding for the school building (some were housed in trailers) and to develop and support the program that was to be offered at the school. One public school founder noted:

> *Districts are reluctant to give you the start up funds that you need to put you on an equal footing with an up and running school. That means all of a sudden front-loading 80 computers. That means popping a library in. That means giving you all your textbooks at once for all your kids. I've been operating the last 9 years of my career on a room-set of books, a room-set of titles, a room-set of maybe 15 titles and the rest of it is Xerox. I have no resource center. I have no supplies. I could take you into my room and at least 10 of my*

student desks are so wobbly you'd be afraid to sit in them. All of my desks come from some warehouse somewhere. We don't have new equipment. We spent the whole first year without a teacher computer. No teacher on this staff had a working computer for the first year of this school. Let's put a benign face on it and just say they just are not used to equipping and dealing with brand new educational enterprises.

Lack of time and space for planning

Founders also had a difficult time finding time and space for the planning process. Since an education program, brand-new policies and procedures, and a financial plan often have to be created, founders mentioned that this process required more than the several half-days of shared release time which, in most districts, was all the paid time teacher planners had to work together. One public school founder felt that she would have liked longer blocks of planning time instead of sporadic monthly meetings. She also noted that the planning group needed a location where they could devote time to planning together and not just via email. Time constraints are also an issue for private school founders. One parent, concerned with the quality of her local public middle school pursued the creation of a private all-girls middle school, co-founded with other parents. She lamented that her school will not be able to expand because the parent founders just do not have the time to put into the process.

Lack of access to others with founding experience

New school founders had little or no connection to others who had started, or were in the process of starting, a school. They also lacked links with districts needing schools, making it difficult to find a sponsor for the school. The lack of access to other founders was a missed opportunity for all, resulting in time wasted, best practices uncaptured, and networking and mentoring opportunities lost. Out of this lack of connection grows an even more fundamental issue: there are no known models available of the planning process. Parents and teachers with good intentions and ideas often have no idea what the planning process for school start-up should consist of or look like. They do not know how to anticipate the problems in the planning process or with the initial school start-up phase. This can lead to delays, avoidance of difficult issues, greater than average chaos the first year of the school, and sometimes closure.

Research from other states on school start-up challenges

Research from other states reinforces the findings from Washington that starting new schools is grueling and, too often, lonely work. In a study of the first charter schools in the state of Massachusetts, Millot and Lake found that potential school founders faced barriers similar to

those faced by school founders in Washington.[9] Charter school applicants ranged from for-profit organizations, higher education institutions, and community service organizations, to grass roots groups (parents, teachers, and community members). With the exception of higher education institutions, every applicant group lacked some capability necessary for a charter school operator, including: the lack of affordable facilities; lack of access to capital and start-up financing; local government and school district opposition; and untimely government rulings, which created an unwieldy and inefficient regulatory process for start-up. Many applicants also lacked professional support and expertise on matters involving law, accounting, banking, personnel, insurance, real estate, construction, building codes, public relations, curriculum, instructional services, evaluation, and special education. Such concerns mirror the challenges of public and private school founders in Washington State, signifying the commonality of these specific barriers to the general school start-up process.

Findings regarding school reconstitution suggest related barriers and needs. While not exactly the same as starting a new school, reconstitution poses similar challenges in that it requires leadership to provide an entirely different program and structure in a school. In a study by the Consortium for Policy Research in Education, principal investigator Jennifer O'Day found that the effects of reconstitution on school quality are mixed: some reconstituted schools show marked improvement, others appear mired in the same or worse difficulties as before reconstitution.[10] O'Day identified three factors critical in determining the success of reconstitution: sound management and visionary leadership of the school, a real and public break with the school's former legacy of failure, and a clear focus on instruction and student learning. School reconstitutions that failed experienced, among other things, a failure of the district to follow through on promises of assistance and resources.[11]

The future demand for new and reconstituted schools will collide squarely with the many difficulties highlighted above. New school founders can benefit greatly from support in the planning and start-up process to address issues such as obtaining financing for planning, programs, and facilities and linking with expert mentors in school start-up. The lack of existing support points to the need for a new type of organization to help—a new schools incubator.

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[9] Marc Dean Millot and Robin Lake, Supplying a System of Charter Schools: Observations on Early Implementation of the Massachusetts Statute (Seattle: Institute for Public Policy and Management, 1997).

[10] "Reconstitution as a Remedy for School Failure" (Philadelphia: Consortium for Policy Research in Education, 2000). www.upenn.edu/gse/cprc/docs/resrch/index.html

[11] *Ibid.*

III. THE IDEA OF INCUBATION

Given the increasing need for new schools and the risks and difficulties in the school start-up process, the University of Washington's Center on Reinventing Public Education, as well as several other organizations across the country have proposed creating new schools incubators to overcome the barriers to school start-up.[12] A new schools incubator is an adaptation of the business incubator—an organization formed to accelerate the development of potentially successful entrepreneurial companies by providing hands-on assistance and a variety of business and technical support services during the vulnerable early years. This section explains the theory behind incubation, outlines an incubator's effects on business start-up, and applies the lessons learned by business incubators to the problem of starting new schools.

According to Smilor and Gill in their book, The New Business Incubator: Linking Talent, Technology, Capital, and Know-how, to incubate means "to maintain under prescribed and controlled conditions an environment favorable for hatching or developing. It also means to cause to develop or to give form and substance to something."[13] Therefore, to incubate a fledgling company or school implies prescribing and controlling conditions favorable to the development of a successful new organization.

Typically a business incubator provides space for a number of businesses under one roof while the groups create business plans, find customers, and launch their products. Business incubators are able to reduce the risk involved in business start-ups because their young tenant companies gain access to facilities, equipment and expertise that might otherwise be unavailable or unaffordable.[14] A schools incubator holds the same promise of reducing risk to new schools by providing access to resources and expertise. The success of business incubators provides a rationale and a model for the creation of a new schools incubator.

Theory Behind Business Incubation

Commencing in the 1970's and exploding through the 1990's, the business incubator has contributed an innovative approach to helping entrepreneurs in the start-up phase of creating a new business. While there were 12 business incubators in North America in 1980, the number

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[12] Two organizations in the process of developing schools incubators are Marquette University's Center for the Transformation of Learning and the Fordham Foundation in Dayton, OH.

[13] Richard W. Smilor and Michael D. Gill, The New Business Incubator: Linking Talent, Technology, Capital, and Know-How (Lexington, MA: Lexington Books, 1986), p. 1.

[14] Business Incubator Project Overview (Seattle: Urban Enterprise Center, 1998), p. 5.

expanded to almost 600 in 1998.[15] The concept of the new business incubator has also spread to other countries including France, Germany, Sweden, England, Japan, and China.
Like new schools, new businesses face critical challenges. The following statement from an incubator director interviewed for this study portrays the start-up difficulties that his small business clients encounter.[16] These difficulties mirror the difficulties faced by many school founders.

> *There's about a three or four-year period where there's a tremendous period of stress and uncertainty and loneliness for people who start their own businesses. They make all kinds of mistakes because either they're too proud, or they haven't got time to really talk to people who know, and we bring those people under one roof and we take them by the scruff of the neck sometimes and we help them grow their businesses safely. We hopefully keep them from making those mistakes and stepping in those potholes. We try to take shortcuts for them: A lot of them think, "I've got to do some market research, but I don't know how to do a search properly. Every time I try to do a search on the Internet, I get all bogged down and throw up my hands in frustration." So they don't do it. We try to help them shortcut those kinds of things so they do put quality into the start-up of their business. The other big problem is that most business start-ups are started by one or two people and there's this whole sense of, "I haven't got any money so I have to do the whole thing myself." So they try to do all the things that have to be done in a business like bookkeeping, marketing, and that sort of thing, and that's not why they went into business at all. So they do it grudgingly, if at all, and if they do it, they do it badly and they make mistakes that cost them in money and time. So people can get off to a really bad start.*

Start-up companies need incubation due to the high risk of failure of entrepreneurial start-ups. Nearly 50 percent of small businesses fail within five years.[17] According to incubator researchers Smilor and Gill,

> Studies…that have focused on the reasons for [small] business failure have found the key causes to be undercapitalization and poor management. An estimated 2,000 businesses fold

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[15] www.nbia.org (November 17, 1999)
The National Business Incubation Association (NBIA) is the leading source of information for the business incubation industry. The NBIA offers professional development activities that help business assistance professionals create and administer effective incubation programs as well as educates businesses, public sector leaders, corporations and investors on incubator benefits, and offers specialized training in incubator formation and management. The NBIA also conducts research and referral services, compiles statistics, and produces publications that provide hands-on approaches to developing and managing effective programs.
[16] Five incubator directors were interviewed for this study. Section IV details the interview methodology.
[17] Smilor & Gill (1986), *op. cit.*, p. 13.

each year because of one serious error that was not foreseen. Nine out of ten small businesses fail because of management deficiencies—and research shows that nine out of ten causes of failure could have been foreseen.[18]

The business incubator attempts to address these problems and increase emerging companies' chances for success.

Successful entrepreneurship requires a combination of expertise for technological innovation, business acumen for product commercialization and market research. Business incubators are designed to "maximize the potential of entrepreneurial talent within a community by providing entrepreneurs with services and support that complement their natural talents and enable them to expand their potential. The incubator can thus be a significant link between the entrepreneur...and the commercialization of the product or service offered."[19]

Business incubators vary in the scope of assistance provided to entrepreneurs. These differences occur because of varying priorities based on the funding sources that support the incubator and because of the specific needs of different industries. Incubators share some common components, however, such as flexibility in the leasing and management of space, centralized services to reduce overhead costs, and various types of business assistance. For example, Smilor and Gill write, "After screening potential entrepreneurs, an incubator may provide low-cost office and laboratory space, administrative services, access to library and computer facilities, skilled consultants, an inexpensive work force in the form of graduate and undergraduate students, and special contacts with bankers, venture capitalists, technologists, and government officials."[20] This environment gives entrepreneurs the freedom to be creative with product development since financing and organizational management are supported by the incubator. An incubator may also provide secretarial support, copy services, accounting services, technical editing help, computer equipment, conference space, health and other benefit packages, and access to university facilities.[21]

An incubator's main goal is to produce successful and sustainable "graduating" businesses. The National Business Incubation Association (NBIA) indicates that business incubators are enjoying some success. The NBIA defines success as "businesses that are financially viable and freestanding when they leave the incubator, usually in two to three years." A 1997 study conducted by the University of Michigan, the NBIA, Ohio University and the Southern

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[18] *Ibid.*

[19] Smilor & Gill (1986), *op. cit.*, p. 11.

[20] Smilor & Gill (1986), *op. cit.*, p. 19.

[21] Smilor & Gill (1986), *op. cit.*, p. 20.

Technology Council shows that business incubation support programs for entrepreneurial firms have impressive, measurable impacts on the companies they serve. The study, published as "Business Incubation Works: Results from the Impact of Incubator Investments Study, 1997," found that incubated companies experience very healthy growth. During incubation, an average firm's sales increased by more than 400%. Graduates of business incubation programs have higher than standard survival rates, with 87% of graduates still in business compared with the standard 50% survival rate, and most of these firms had been in business for at least 5 years.[22]

Parallels to a Schools Incubator

The success of the business incubator design points to lessons a new schools incubator should heed since new schools and start-up businesses face many of the same challenges. Both can benefit from access to consultants, contacts, space, networks with consumers (parents or districts, in the case of schools). Successful businesses and successful schools also share important characteristics. A 1999 NBIA report identified the following eight characteristics that are essential for entrepreneurial success and which incubators help nurture:

- An effective management team that works cooperatively and consists of members selected to provide a range of knowledge and skills.
- Sound financing, the earlier the better. Funding is directly related to a firm's success, and in some cases can be the deciding factor between a business venture's success or failure.
- Leaders that are able to focus on a lead product or service, and avoid over-investing in development and diversification.
- Leaders that make business decisions based on a clear understanding of the market and competition, rather than their own enchantment with their product or service.
- Leaders that keep on top of best business practices by surrounding themselves with knowledgeable people, by remaining open to their advice and ideas, and by being willing and ready to make changes based on new information.
- A well-researched business plan in place that provides clear direction and focus.
- Leaders that are good money managers and remain in control of the venture's books.
- Entrepreneurs who are passionate about their ventures and communicate that excitement to potential funders, customers and mentors.[23]

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[22] 1997 Impact of Incubator Investments Study (Athens, OH: National Business Incubator Association, 1997). www.nbia.org

[23] "New Report Finds the Keys to Entrepreneurial Success" (Athens, OH: NBIA, 1999). www.nbia.org

These characteristics are strikingly similar to those areas cited as most needed by new school founders. As business incubators increase the likelihood of a start-up business developing these crucial characteristics of success, schools incubators hold promise in developing parallel characteristics of success in new schools. Table 1 distinguishes this link.

Table 1. Shared characteristics of successful new organizations

Characteristics of successful entrepreneurs	Parallels in new schools
Cooperative management team with a wide range of knowledge and skills	Founding team with diverse skills ranging from curriculum to budgeting to legal issues
Sound early financing	Financing to plan, and to obtain and equip a school building
Leaders focus on a lead product or service	Founding team that focuses on a specific mission for the school instead of trying to create a school that is "everything for everybody"
Leaders that make decisions informed by the market	Founding teams that make decisions based on the potential market for enrollment rather than on unrealistic, ideal "dream schools"
Leaders who inform themselves with best practices	Founding teams who access knowledge, experience, and best practices from diverse sources and use them in the school plan
A business plan that provides direction and focus	A clear, thorough school design plan that uses the school's mission to inform the rest of its structure
Leaders who are good money managers	Founding team members who have a sound understanding of the budget available and who can create a vibrant program within these constraints
Passionate entrepreneurs who can communicate their excitement	Enthusiastic founders who can effectively communicate the mission and goals of the school to stakeholders (parents, teachers, students, school board, funders, news staff)

The findings from interviews with new school founders illustrate the importance of these characteristics. New schools need a founding leadership team comprised of people with a range of skills and who are open to new information and ideas. The founders should develop a core mission for the school and must be able to effectively communicate that mission to parents, students and school sponsors. School founders or leaders must have organizational and business expertise and a clear, thorough school plan driven by the school mission. Founders need to be able to attract substantial early funding and be able to manage it well.

The challenges that schools and businesses face in the start-up process are similar, as are their characteristics for success. A new schools incubator that assists school founders in developing these critical characteristics could prove as successful an endeavor as its business counterpart.

IV. HOW BUSINESS INCUBATORS CAN INFORM SCHOOLS INCUBATOR DEVELOPMENT

While much information is known about how incubators help launch businesses, little is known about the start-up of incubators themselves. There is limited published information available about the process of creating an effective business incubator. Even less is known about starting a schools incubator, which is an entirely new creation. In order to gain a better understanding of the potential issues encountered in starting and running an incubator—and in particular a schools incubator—I conducted interviews with small business incubators in the Pacific Northwest. This section profiles these incubators, first describing the size and scope of each incubator and then focusing on the primary challenges they face. Following each challenge listed by business incubators, I derive implications for schools incubators to consider.

Interview Methodology

During March and April 2000, interviews were conducted with the directors of five business incubators in Washington and Oregon. These open-ended interviews took place at the incubator site and lasted approximately 45 minutes. The incubators serve small emerging businesses, primarily in manufacturing. The incubators were selected for their rural/urban range and because their intended impact on the public good of regional economic development was similar in mission to the potential impact of a schools incubator.[24] These interviews were not meant to be comprehensive, nor was the sample meant to be representative; the purpose of the interviews was to elicit themes or ideas that might inform the creation of a schools incubator. Table 2 briefly profiles the five incubators that were interviewed for the study. A more detailed description follows.

[24] Other incubators, such as emerging Internet start-up incubators, focus on profit-making.

Table 2. Profiles of Five Business Incubators in the Pacific Northwest

Name	Location	Sponsorship	Focus	Year Created	Reason for Opening	Number of Organizations Currently Incubating	Number of Graduates/ Success Rate *	Personnel
William M. Factory Small Business Incubator	Tacoma, WA	non-profit	non-retail small business	1986	neighborhood economic development	20 in-house, 10 off-site	56/ 80%	director, receptionist, 2 part-time consultants
Applied Process & Engineering Laboratory	Richland, WA	non-profit/academic	engineering and manufacturing	1998	provide specialized space for entrepreneurs	10-12 companies	too soon to have graduates	director and receptionist
Tri-Cities Enterprise Association	Richland, WA	non-profit	any small businesses; one site incubates retail	1987	diversify regional economy and support downsized technology employees	19 businesses in two incubators	85/ 85%	President/General Manager, 2 incubator managers, and 5 other staff
Ellensburg Business Incubator	Ellensburg, WA	non-profit/academic	manufacturing, professional, technology	1989	stimulate region's manufacturing base	3 in-house, approx. 100 off-site businesses receiving some form of assistance	10-12/ 70%**	director and part-time receptionist
Oregon Association of Minority Entrepreneurs	Portland, OR	non-profit	retail, manufacturing, consulting	1994	provide low rent to support services to minority, women, and emerging small businesses	26 businesses	will graduate first businesses this year	director, technical assistance director, and two support staff

* Success rate is the percent of incubator graduates still in business.

** This incubator's definition of success includes small amounts of assistance to entrepreneurs as well as counting those who decide not to create a business.

Profiles of Five Northwest Business Incubators

- The *William M. Factory Small Business Incubator* (Tacoma Incubator) is located in an inconspicuous red brick building on the corner of a semi-industrial/business area near the University district in Tacoma, Washington. The incubator has been open since 1986 and has been under the direction of Tim Strege since 1994. The incubator was founded to provide support for small businesses specifically serving the economically deprived East Tacoma neighborhood. It currently incubates 20 businesses in-house and provides services to 10 others off-site. The incubator provides tenants with space and furniture, business counseling and advice, consulting for marketing and sales from Bates Technical College, a conference room and equipment, administrative assistance, a resource library, and software. The director provides daily specialized assistance, which he characterizes as: "Once we get to know a company, what is it that they really need? Do they need a patent? Do they need to find some investors? Do they need help with their first bank loan?" The incubator uses the services of two consultants, one of whom helps tenants with finance issues and another who assists businesses with marketing and day-to-day management.

- The *Ellensburg Business Incubator* is housed in a well-kept, blue corrugated building located in a wide open, sparsely built industrial space just outside of Ellensburg, Washington. The incubator was created in 1989 because Kittitas County, where the incubator is located, has a history of high unemployment and a lack of facilities suitable for people wanting to start small businesses. Central Washington University (CWU) and citizens concerned with local community development decided to create an incubator focused on stimulating the region's manufacturing base and providing living wage jobs.

  The City of Ellensburg originally managed the incubator for five years with a non-profit advisory board and a part-time off-site business advisor from CWU. In 1994, the city created the Public Development Authority (a quasi-governmental organization) to run the incubator on-site and provide daily assistance. At this time it also added an "incubator-without-walls," providing the same support without the space to any interested entrepreneurs. With an on-site executive director, Debbie Strand, the incubator was better able to review business plans and became more focused. In 1998, a companion organization, the non-profit Phoenix Economic Development group, was formed to provide economic development activities for the county. It shares the same building and executive director with the incubator and dispenses essentially the same services countywide as the incubator-without-walls.

  The Ellensburg Incubator has housed between 10 to 12 businesses in the past 10 years. Typically, the incubated businesses receive business plan assistance, help with their financial plan, aid in identifying management training programs, marketing assistance, low cost rent,

access to a conference room, a break room with a copy machine, a fax machine, shipping/receiving, a library, and help finding a site when they move. These services are provided by the executive director with additional assistance from SCORE (Senior Core of Retired Executives), and the Yakima Valley Community College and CWU business students. A small micro-loan fund is also available from the Phoenix Economic Development group.

Three businesses are currently located in the incubator. One food processing business has been there since the incubator's inception. It was given only sporadic counseling during the first five years because there was no on-site incubator manager, and the business has not left because there are no suitable existing facilities in the area. It is considered an in-house graduate and pays market rent and receives no additional services. In addition to the three tenants, approximately 100 off-site businesses per year request some form of assistance from the incubator-without-walls, including financing or advice on start-up issues and information about business contacts, which is provided free of charge.

- The *Tri-Cities Enterprise Association* has been running its main incubator in a contemporary one-story office building in a modern business/industrial park near Richland, Washington since 1987. There are 17 organizations in the main incubator this year and there have been 85 businesses housed in the incubator during the 13 years it has been operational. This incubator was created to help the Tri-Cities area decrease its reliance on the Hanford nuclear power site.[25] In an effort to diversify the economy and support the area's downsized technology employees, the incubator was created. In addition, the Tri-Cities Enterprise Association opened a downtown revitalization incubator-without-walls six months ago, which currently incubates two retail businesses.

  The original incubator offers a full range of services including mentoring and advice from the seven member staff and 14 member board; access to community resources for advice (either free or at reduced cost); shared services of the copier, fax machine, computer, and scanners; administrative support; subsidized rent of office and light-industrial space for the first year (at 10-15% less than market rate); and availability of an office resource center. The incubator also houses both a loan and an equity program, and there is a Certified Public Accountant on staff who can give the incubated businesses advice on financial decisions. Bill Henderson is the President and General Manager of the Association and oversees all staff. Half of the staff of the incubator are considered "coaches" who help set the business'

[25] Hanford is the site of a U.S. Department of Energy's nuclear power plant that employed a considerable proportion of local citizens. In recent years, it has been phased out of existence since its primary utility was during World War II and the Cold War.

goals, create action plans, and follow-up and reset goals; the other half of the staff work in financing the businesses through the loan and equity program.

- The *Applied Process Engineering Laboratory* (APEL), opened in 1998, is located in a low, brick building in a technology park near Richland's Washington State University campus. Chuck Allen, the incubator's director, founded the incubator because the department he was managing for the Pacific Northwest Regional Lab was running out of high bay space for testing. This space constraint, coupled with the loss of technical jobs from the phase-out of the Hanford site inspired Allen to envision a laboratory for the Pacific Northwest Regional Lab within an incubator as well as space for new start-up companies founded by former Hanford scientists.

  The incubator currently acts as a landlord for 10 to12 businesses. The incubator provides the infrastructure that normally acts as a barrier to the start-up of small scientific businesses. APEL provides highly specialized services that would be costly and time consuming for these businesses to acquire.[26] It provides its tenants with some science equipment, janitorial services, and some secretarial services (which are rarely used since the companies do much of their marketing on the web). For non-tenants, it provides access to a lab that can be rented for 24 hours at a time, which local scientists can use for product development.

  One of APEL's primary purposes is to promote the development of new businesses and product lines leading to new jobs in the local communities. Unlike the other interviewed incubators, APEL does not mentor and provide assistance to start-up companies; Allen feels that there are other local organizations already serve that purpose. Rather, it merely provides specialized space for entrepreneurs. No training or consulting is offered to the businesses, but Allen has established a network of references with organizations in the field to assist the tenant businesses on occasion.

- The *Oregon Association of Minority Entrepreneurs* (OAME) is located in a residential neighborhood of the Northeast section of Portland where many of the city's minority-owned businesses are situated. OAME was founded in 1987 to provide support services to area minority-owned, women-owned, and emerging small businesses. OAME categorizes its areas of assistance as technical assistance, access to capital, mentorship, and marketing. The Association has long provided networking opportunities but opened its incubator, run by

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[26] APEL considers itself a state-of-the-art technology business start-up center with engineering and manufacturing space as well as wet labs, bio labs, and business startup space. It provides the utilities and infrastructure for science and technology development such as supplies process and hood off gas, compressed air, vacuum, water and power. It also has air and water discharge permits, a waste storage permit and an RCRA R&D permit.

Jorge Guerra, in 1994 in order to expand its support to include low rent office space with support services for its members. For its 26 current tenants, OAME provides monthly tenant meetings, mentorship from similar existing businesses, networking through OAME's job clearinghouse, and individual monthly meetings with a staff member assigned to overview financial management, business plans, personnel management and marketing strategies. The incubator also offers access to capital through microloan availability, administrative services, and conference room rental for all OAME members and incubator tenants. Through the incubator-without-walls, OAME staff or volunteers can assist businesses in reviewing contractual agreements, site locations, and cost review for tenant improvements or new construction.

There are four staff members at OAME, including the director and technical assistance director, who oversee the incubated businesses. While OAME's staff provides most of the support needed by the businesses, they refer some incubated businesses to other members of OAME and outside sources. Portland State University runs a computer lab in the building, available to the businesses and the community, and provides some technical assistance to the incubated businesses.

Though these five incubators vary in the number of clients they incubate (from 3 to 26), they are all non-profit organizations with some interest in the economic development of a particular community. They typically have small staffs (generally the director and a few consultants) and offer similar services including advice, networking, and access to financing. The importance of these general services to the founding and operation of a new organization suggests that a new schools incubator should also include these basic functions in its efforts to develop successful schools.

Lessons Learned from Business Incubators

During interviews with business incubator directors, important guiding principles of running an effective incubator rose to the surface. In this section, these principles are explained and then translated into implications for school incubators to consider to make the best use of the experiences of other incubators. The interviews disclose specific information in areas that will be helpful for structuring a schools incubator. Each of the following points contain lessons learned from the experiences of business incubators:

- Determine a clear mission and realistic expectations
- Decide whom to serve
- Evaluate success
- Establish funding sources that fit the incubator's mission

- Provide limited but valuable services
- Develop effective management
- Locate incubator facilities

Determine a Clear Mission and Realistic Expectations

The mission is the core component of an incubator's program and structure. Lessons learned about the importance of mission from business incubators indicate that an incubator must be clear on its expectations and specific objectives in order to structure its program, and that the mission needs to be updated over time.

Developing a specific mission and objectives are critical elements that shape the direction and success of an incubator. Often, incubators have a broad mission and do not specify their expectations about what objectives the incubator must meet based on this mission. Although the incubators all share a similar mission of creating new jobs in a community, interviews with the five business incubator directors identify two strands of thinking about the objective of an incubator which are implied rather that explicit. For instance, one unstated objective is to directly and continuously graduate viable businesses. The other assumed objective is to provide technical assistance, supporting any entrepreneur at whatever level they need with the hope that they will someday use these skills to create a business. In order for a mission to effectively guide the structure and services of an incubator, it must be specific enough to define what the incubator intends to achieve. The objectives to achieve this mission should also be made explicit.

Tim Strege, the director of the William M. Factory Incubator, reinforces the idea that incubators must have realistic expectations of their mission. He believes that what the incubator is trying to achieve in a "big picture" sense will determine whether or not it succeeds. While he advocates high expectations for both individual businesses and incubators, he also cautions that both should have realistic expectations about what they are setting out to achieve. Strege illustrated this point by explaining that two incubators were founded in Tacoma at the same time. One incubator had a board heavy with dignitaries (the head of the chamber of commerce, the director of the economic development board, a representative of the City, a representative of the Port of Tacoma) and had twice the financing of the other. This incubator failed after two years because the group's expectations were too high; they wanted to produce nothing less than the next Microsoft—and they were disappointed. According to Strege, his William M. Factory Incubator measures its success more incrementally. It is willing to "do the dirty work" of working with each organization's specific needs:

What incubation means is to sit down with people, look at their payroll, ask if they've filled out the 949's, and ask if they've got the right certification, sit down and compile the square foot cost, see if all the supplies are included—you get a little bit of dirt under your fingernails working with start-up companies. So as an educational incubator, if you want the Who's Who of Seattle and King County on its board, understand that with that is going to come high expectations. They're going to want the Edison Institutes to come out the next month and they're going to get tired of supporting the incubator if they don't see massive reform and huge forms of success.

The importance of developing a clear mission and reasonable expectations continues even after an incubator's creation, extending over the life of the incubator. Bill Henderson, director of the Tri-Cities Incubator, pointed out that the incubator is currently re-evaluating its mission as there is less need now to provide help to former Hanford employees and because the local economy is diversifying on its own. The incubator is currently engaged in a needs assessment about the role it hopes to play in the community and has identified a potential niche in the growing Hispanic community in the Tri-Cities:

The challenge for us is to add value to the community while the needs are shifting. We have to continually do a needs analysis. A big part of the Tri-Cities is the Hispanic community in Pasco. It's where the agricultural industries are and these people are starting businesses too.... I think we can play a big part in that process.

Since its inception in 1987, the Tri-Cities Incubator's customers and funding have changed (due to a decreasing need to target former Hanford workers and the impact of I-695, an initiative that reduced the state's motor vehicle excise tax and subsequently decreased state funding in particular local jurisdictions). At this time, there is a preponderance of economic development agencies in the Tri-Cities area, resulting in too many general support providers for business start-up. In an effort to revise its mission, create a niche in this market of support providers, and better market its changing services to the community, the incubator is about to engage in strategic thinking with an outside facilitator.

Implications for schools incubators

- **Clear mission:** In the process of creating a schools incubator, the developers must have clear, well thought out expectations about what the incubator's mission and specific objectives will be. Incubator developers must have realistic expectations about what will constitute success, not just for each graduating school, but for the incubator itself. They must also secure agreement between the board and staff about the mission of the incubator. In

addition, a schools incubator must be aware of the need to revise its mission as the needs for the incubator change.

- **Aligned objectives:** The primary question a schools incubator must address is this: Will it view itself as an assistance organization for any potential school founder, or will it be more aggressive in asserting the impact it wants to have on the educational scene? This decision about the incubator's objectives will affect how the incubator defines whom to serve, decides what kind of assistance to provide, and determines its success.

Decide Whom to Serve

Deciding which clients to serve should flow directly from the incubator's clear mission. In order to fulfill its mission, an incubator must be specific in the clients it chooses. The interviews with business incubator operators elucidate key issues in considering which clients to incubate. Utilizing the NBIA's definition of incubator success (graduating businesses within three years and sustaining viability), business incubators show that an incubator should have high standards for entry and that these standards should be based more on the soundness of the organizational plan and its demonstration of potential viability rather than on the specifics of the business' product. Specifically, an incubator should:

- Establish entry requirements
- Maintain an adequate supply of applicants
- Assert a viability mentality
- Select the client not the product

Establish Entry Requirements

Entry requirements for incubation should be set to best achieve the mission and objectives of the incubator. The incubators with different objectives had very different criteria in choosing whom to assist. The incubators that emphasized the development of viable businesses possessed rigorous barriers to entry in order to ensure accepting entrepreneurs well on their way to producing successful businesses. These incubators intended to create a very particular kind of supply, specifically aiming to create businesses possessing certain success characteristics such as profitability and the potential to expand (the Tacoma Incubator and the Tri-Cities Incubator). These incubators succeeded in not only meeting their basic goals of graduating a certain number of businesses, they also had records to indicate that many of these businesses continued to succeed after graduation, which met the incubator's further goals of creating a specific kind of supply—profitable, stable businesses which add new jobs to the community.

On the other hand, the "technical assistance" incubators which supported any kind of business that requested assistance had low entry requirements because there was no value judgment placed on the type of business start-up and no rigorous standard for what a successfully incubated business should look like. In interviews with the "support all" incubator directors, there appeared to be less emphasis on having clients graduate than on providing additional help to their constituency (Strand at the Ellensburg Incubator, Allen at APEL, and Guerra at OAME). As a result, they graduate small numbers of businesses and place a low emphasis on graduating existing clients. Those directors who adhered to this vision of the incubator were liberal in their definition of success. For example, rather than simply counting graduates as their measure of success, they considered deterring potentially unsuccessful people from starting a business one kind of success.

The incubators who had the most successful graduates were those with the most rigorous standards of entry into their incubator. Rigorous entry requirements appear to be a crucial determining factor in incubating greater numbers of successful graduates over time. The two incubators that have been in business the longest and graduated the most businesses, the Tacoma incubator and the Tri-Cities incubator, both highlight the necessity of establishing high entry requirements. Tim Strege's Tacoma incubator enrolls only one out of every ten applicants, graduates almost all businesses within three years, and has had an 80% success rate with its 56 graduates. Bill Henderson's Tri-Cities incubator has graduated 85 businesses in 13 years with an 85% success rate and received the Incubator of the Year Award in 1998 from the National Business Incubator Association. Both incubators originally accepted any applicants, but have since changed their standards of entry due to their philosophies for what constitutes incubator success—the continuous graduation of viable businesses.

The Tacoma incubator's rigorous criteria upon which selections are made include an exhibition of serious commitment to starting the business, a strong, reasonable business plan, and the potential for profitability. Applicants must have a complete business plan, obtain all business licenses and commercial insurance, and pay $50 to be interviewed by staff and board members to determine if the incubator can serve the company. They must also have gross revenue projections of at least $100,000 their first year and have reinvestment and expansion potential (the incubator tries to find those businesses with the greatest potential long-term impact). The selection committee also looks at what skills the applicant brings to the company. Strege describes the Tacoma incubator's standards for applicants in this way:

> *They are ALL required, before we enroll any company, to put together a draft of their business plan. At the very least it's got to describe that product or service, it's got to survey the potential market—who their customers are going to be, what the customers will likely pay for that service, and who the competition is, even if they don't think they have a local*

competitor, what will people do without that product or service or where would people otherwise get that product or service?

The Tri-Cities incubator initially served every entrepreneur who requested assistance, but its director realized that to meet its definitions of success, it could not help everyone and needed to set priorities. The incubator's current criteria include: commitment to the business (signs of which include an entrepreneur who considers business operation a full-time job, has quit any other jobs, and has mortgaged her home, etc.); financing arranged for the first year; a conceptually sound business plan; and compatibility with other businesses in the incubator (i.e., the business does not pose a threat of direct competition to businesses already in the incubator).

High standards of entry are important when an incubator's objective is to graduate viable businesses. The careful selection of clients with whom to work is one part of that process. This philosophy is evidenced in Henderson's comment that the Tri-Cities incubator's purpose is not to help everyone, but to facilitate success:

We're in the success business. We're not in the business of helping everybody. We're trying to pick winners. We're trying to say, "Now here's a small company that their business plan calls for adding three or four full time jobs every year for the next four or five years. It makes growth for the community, adds value to the community. Whereas this company, first of all, it's a shaky concept. We could probably help them just as much as we could help these people, maybe more. But the likelihood of us helping them become successful is not high." So we pick the winners.

Strege likewise explains that his Tacoma incubator raised the entry requirements for people wanting to be incubated because businesses that were admitted before were just not viable:

We had low threshold requirements before I came in 1994. We had what I would characterize as pretend companies. They still had a full or half-time job somewhere else. They just wanted to kind of start the company off. Back then we were charging less than market rate rent so people had false costs about what it would actually be to start a company. Because we had cheap rent, we got companies that weren't fully committed. And sure, we filled up the incubator—we had 25 businesses in the incubator—not that many were doing well. Instead the board said, "We're going to raise the threshold. Everybody should bring in their commercial insurance, rent is going to be $1 a square foot a month, you're required to meet with the consultants on a weekly or monthly basis, you're going to have to work at the business full-time." By raising the threshold to get in, you will have high quality people in the incubator. We're doing much better now than we were doing before.

Now businesses at the Tacoma incubator are better prepared with their plans, licenses, and insurance when they enter. Entrepreneurs are not asked to meet these requirements on their own, however. The incubator usually has worked for one to two months with a client before they enroll in the incubator (sometimes between three to six months), helping them in the process of creating the groundwork for their application.

While incubators with high entry requirements were able to clearly outline characteristics of successful businesses and used these characteristics in the selection process, other incubators vaguely stated that their selection criterion was simply based on the business plan with few details for what this meant. One other long-term incubator is the Ellensburg Business Incubator, currently under the direction of Debbie Strand. With a comparatively low graduation rate (10 businesses in 10 years), and currently under-capacity—housing only three businesses—it operates under a much different philosophy regarding its selection and success criteria. Strand explained their "educational and serve all" approach:

> *When somebody first comes in here, the first thing we tell them when they come in here is that they have to develop a business plan if they are looking to start a business. And we have a specific format that we give them, though they certainly don't have to follow that. It's a guideline. So once you talk to the people the first time they come in, you give them the business plan book, you talk to them a little bit, find out what they're doing, and send them off with their homework. Sometimes we never hear from them again. Sometimes we'll contact them for a couple year period every three or four months, and "Oh yeah, we're working on it. We really want to do this," and they just don't get going. Other people go through and develop the business plan and go, "Nope, this isn't really what I want to do. I don't think I could make that work." So we term that a success too because somebody didn't put a lot of effort and capital into something that was not successful. So the success for that person was to go through the whole process and say, "That really isn't going to work."*

Likewise, the APEL incubator does not use what would be regarded as high criteria for admission, as APEL considers itself an open-user facility. It has not yet used any screening criteria since it is below capacity and considers itself primarily a landlord. The incubator houses a permanent tenant, which is evidence that this incubator's mission is not to continuously graduate businesses. The director does not have to make any decisions regarding whether or not an organization is worth incubating because that is not the purpose of this incubator. He takes the first and last month's rent in advance, and if a business folds, then he just looks for more tenant companies. Allen feels that this is a good position to take because he feels that there are no good predictors of a successful business. Therefore, an incubator should not attempt to determine who should be incubated. The incubator is so new (it opened in 1998) that it has no track record so far.

Implications for schools incubators

- **Align entry requirements with mission:** Entry requirements for a schools incubator should be set to select clients that will fulfill the incubator's mission and objectives. If the objective of a schools incubator is to produce prepared graduates rather than merely offer general support, establishing rigorous selection criteria is important. Focusing on its mission, a schools incubator should create standards for potential founders that are clear and rigorous which will result in the selection of committed clients who already possess certain critical skills for success.

- **Broad assistance:** If a schools incubator's objective is to provide broad assistance to all potential founders, it can have a more loose determination of whom to serve. This kind of incubator may want to focus on assisting those with greatest need, and not necessarily ability. A schools incubator that considers itself a warehouse or an educational organization for all will not result in a concentrated production of well-prepared new schools.

Maintain an Adequate Supply of Applicants

In order for rigorous criteria to be useful, there need to be multiple applicants to choose from. As evidenced in Ellensburg, there is insufficient demand for the incubator, resulting in an empty bay and few graduates. With so few applicants, they have de facto limited selection criteria. The APEL incubator faces a similar situation and is currently attempting to fill the incubator's space capacity. This lack of demand diminishes the incubators' incentives to graduate businesses. The incubator tenants thus receive services for years, and the incubators have had difficulties attaining their mission of increasing jobs and expanding the tax base.

Implications for schools incubators

- **Demonstrated demand:** A schools incubator should not open unless it can demonstrate demand for its services. An incubator will not be able to achieve its mission if there is no need for its services. A schools incubator may want to redefine its purpose if there is not an adequate supply of founders it is hoping to target, as the Tri-Cities incubator is doing in the face of a decreasing applicant pool.

- **Stimulate supply of applicants:** Because it is such a specific niche, a schools incubator may face a small applicant pool. In that case, the schools incubator will need to stimulate the supply of applicants and look into the barriers that prevent people from applying. A schools incubator will have to develop marketing skills to be an active recruiter for applicants for its

services, especially since supporting school start-up is such a new concept that potential school founders may have difficulty understanding.

Assert a Viability Mentality

For small business incubators, the most important criteria in determining whom to serve are the potential profitability and potential for expansion of the business. While two incubator directors considered "cottage industries" (businesses run from homes) to be worth serving, three leaders expressed that the level of expansion and business impact must be more significant. The Tri-Cities incubator does not support "lifestyle businesses," which Henderson defines as businesses meant to support an individual's lifestyle with no plans for expansion, because the incubator is intended to have an economic impact on the community, not just the individual. The APEL incubator likewise requires that the incubated businesses have to represent new business and new jobs, not the replacement of other jobs, such as putting other organizations out of business.

Tim Strege explains the need for incubators to support organizations, including schools, which will remain economically viable:

> *We also want, over time (that could be not necessarily in the first year, but the second or third year) them to begin to show a profit. We want for-profit companies. For-profit, including the schools, is a good word. The worth of a company is how much profit they can make in the marketplace. And if you're not making a profit, it means that people aren't valuing your services enough to pay for them. So number one, it's a good valuation tool, market price; number two, it allows for reinvestment and expansion.*

Even while providing a service to a community in need, Strege shows how business success should always be measured by economic strength. It is important to have healthy businesses serving the economically depressed neighborhood the Tacoma incubator targets, as opposed to propping up unsuccessful endeavors just because they hope to serve a particular need or area.

<u>Implications for schools incubators</u>

- **Support potential viability:** It is important for a schools incubator to assert a viability mentality—supporting schools that not only fit the incubator's mission, but which reflect good financial planning and budgeting, as well as expecting them to attract enough parents/customers to make the school viable. If a schools incubator intends to serve a particular need, such as providing high quality schools in impoverished neighborhoods, it is important to remember that this need will be best served in the long run by selecting and incubating strong potential founders instead of incubating anyone who professes interest in

serving that need. In addition, the consequences of a failed school are much greater than a failed business, as the education of many children are at stake, further necessitating an incubator's emphasis on a school's potential viability.

- **Potential for replicability:** Potential for expansion is important for new schools as well. The potential for a product to expand past its initial market is the business version of what education reformers call a replicable model. While the school itself might not plan to expand past a certain enrollment, it may be important for the applicant to demonstrate how their school plan has the potential for replicability in other settings. This means that the incubator would not just support "cottage industries," or schools that are idiosyncratically created to support one particular vision for one particular location, but would support school designs that have the potential to impact a larger arena through adoption by others.

Select the Client Not the Product

None of the incubator directors considered the type of product an applicant proposed to manufacture as part of the selection criteria for incubation. Rather, they focused on the skills of the applicant and the quality of the plan to create the product. While the directors did not target clients offering a specific product, two noted that they do look for clients who are grounded in the technical nature of the business they are creating. Clients must have a thorough knowledge in their product since the incubators do not provide service or product advice—this is where the client is expert. Incubators, instead, provide business advice. The APEL incubator looks for tenants in the field of chemistry, and mechanical or technical engineering—those who understand the safety hazards involved with their work. Tim Strege at the Tacoma incubator feels that it is better to incubate entrepreneurs who know the product or the service rather than those who know business:

> *Most of our focus on the business plan attempts to look at the business by itself and the relationship of the individual's skills to that company. We found it extremely difficult for someone to start the company where they didn't know much about the product or service. We'd rather have somebody know about the product or service—and they have more of a vision too—than know how to manage or do the operations.*

One caveat that incubator directors add about product specification is that they are not interested in concepts that already saturate the market. One director mentioned that his incubator is not looking for a tenant interested in creating a new pizza restaurant that would either have a small niche in a saturated market or would put another pizza place out of business, creating no net positive effect. Business incubators prefer unique business models and concepts because they have more potential for adding wealth to the community by tapping into a larger market.

Implications for schools incubators

- **Capacity for success:** A schools incubator should not necessarily limit itself to accepting only those applicants who propose specific educational programs such as Core Knowledge or Coalition of Essential Schools as it may overlook other innovative and potentially successful programs. Experience with business incubators shows that it is more important to determine whether the founders possess the skills to create a coherent program than to specify the nature of the specifics of the program (i.e., promoting one type of instructional program). A schools incubator should concern itself less with the specifics of the product and focus more on the founding team's organizational capacity for success, for instance, the characteristics such as coherent mission that many instructionally different successful schools share.

- **Education background:** A schools incubator should look for founding teams that have a solid educational philosophy. The teams should possess a background in schools paired with experience in organizational leadership. Lessons from business incubators emphasize the necessity of supporting entrepreneurs who know their service or product. Since the "service" of a school is primarily its instructional program, a schools incubator should expect applicants to have teaching experience or experience working in schools. An incubator's strength lies in its ability to rally founding teams around the goal of developing and implementing a coherent mission and to provide access to best practices and support.

Evaluate Success

An incubator with an established mission and criteria for whom to serve should have a means of evaluating successful attainment of the objectives of the mission. The interviews with business incubator operators highlighted the need for success to be clearly defined by both the tenant and the incubator. It is important for an incubator and tenant to discuss up-front what is the expected goal of the incubation so that there is no later confusion in determining a business' readiness to leave. Such clarity is important because individuals housed in incubators often have varied definitions of success. If the incubator and tenant do not define standards for success, they will be unable to evaluate their performance.

Institute Evaluation Mechanisms

None of the interviewed incubators utilized a formal means of evaluating their tenants' success. The determination of a business' readiness to graduate generally utilized a subjective and individualized process rather than achievement of specific indicators. Incubator directors often emphasized the difficulty of defining success. The vague nature of the Tacoma incubator's

graduation requirements is representative of the informal evaluation processes in most business incubators. To graduate, which must be done in three years, a company must demonstrate that it can survive without support, can afford administrative services and space elsewhere, and can manage books and records. However, the incubator uses no specific indicators to demonstrate having met these benchmarks. The reason for this relatively informal decision, Tim Strege explains, is that "[t]he more formalized [you are], the more structured you become. In some cases I guess I'd argue that a less structured environment allows for more natural decision-making to occur." This lack of formal evaluation is likely linked to the fact that there are different definitions for success and that some incubator operators claimed that success was gauged individually according to each entrepreneur's definition.

Bill Henderson at the Tri-Cities incubator suggests that sufficient cash flow is one potential concrete indicator for determining a business' readiness to leave the incubator. Once a business has a good cash flow, the incubator will encourage the activation of an exit plan so as not to waste resources on successful businesses. Henderson wants to require a formal, three-year cash flow plan from the beginning of the application process. This will become the benchmark used to judge exit readiness:

> *What I hope to introduce here is the cash flow exit plan. I would ask people—I'd say, "Where would your cash flow have to be for you to feel that you are ready to go and rent space at the going rate in the community and pay full pop for all of these services, advice, mentoring? Where do you need to be to feel comfortable going?" And I get them to identify that, and somehow they've got to say, "It's at this point where we're doing $2.5 million of revenue and we're producing 15% net profit. That's when I would feel ready to go." If you talk to them about that from the beginning, then a few years down the road you're not surprising anyone. A lot of the coaching sessions will use that as you go along.*

Implications for schools incubators

- **Indicators for graduation:** A schools incubator needs a measure for gauging success. Unlike business incubators, which can informally gauge a business' success by how well it operates its finances while in the incubator, a schools incubator can make no such assessment since school success does not have such a definitive measure. In order to ensure that potential school models are ready to graduate successfully, the incubator needs to tie high entry standards with some formalized benchmarks for leaving. In The New Schools Handbook, Lake and Winger offer a comprehensive list of issues that new school founders need to address in the planning process including financial planning, recruiting staff,

developing curriculum and assessment, obtaining a building, creating policies and procedures, etc.[27] This list could be used to create such indicators.

In absence of a market that determines if a business succeeds or fails by profitability/viability, an incubator will need to introduce quality assurance at the end of the process. These indicators would not need to be so rigorously structured as to ignore the individuality of each school but should be based on the general principles of effective school applications to ensure that all areas of design had been covered. While viable cash flow is not the primary indicator of a school's readiness to stand on its own, at the very least, the concept points to the importance of creating and presenting short term outcome measures regarding what the founders can expect to gain from the incubator experience—something concrete to attain by the end of the incubation process.

Engage in Post-Graduation Follow-Up

The interviewed incubators also failed to engage in formal evaluation of their own success overall. For the incubators that have a history of graduates (two incubators are too new to have graduated any businesses), little follow-up or tracking of results appears to have occurred, and what follow-up is rendered provides only rough knowledge of whether the incubated businesses are still operating. The incubators interviewed had few links with their graduates. They missed the opportunity to use information from their former clients to determine either the successful elements of their program, or the reason for subsequent failure of these businesses, and to develop potential mentoring relationships for their new businesses.

Implications for schools incubators

- **Track graduates:** A schools incubator, needing to demonstrate the efficacy of the incubator to funders, will need to display evidence of a positive impact in creating new schools. A schools incubator should track the results of its graduates, both to demonstrate success for funders and marketing purposes, but also to obtain information that would let it know whether its services contributed to successful school launching, and if any services were lacking. This tracking should result in a count of how many graduates actually created schools, the survival rates of the new schools, their stability, and student experience and achievement. This follow-up should also include client satisfaction surveys.

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[27] Robin Lake and Abigail Winger, The New School Handbook: Strategic Advice for New School Founders (Seattle: Center on Reinventing Public Education, forthcoming).

Establish Funding Sources That Fit the Incubator's Mission

Business incubators are financed through a combination of government funding, space rental fees, and fees-for-service. Foundation funding plays a small part in some incubators' incomes. While the information collected on funding sources is not extensive, it does provide some implications of using these various sources of funding.

Some incubators charge below-market-rate rent in an attempt to bolster small businesses. The Ellensburg incubator starts businesses at 50% below market-rate for rent and over 3-5 years raises it to market rate, while the Tri-Cities incubator starts at 10-15% below market rate rent. Debbie Strand explains that since the goals of the Ellensburg incubator are to create jobs and increase the area's tax base, low costs help the businesses to grow and expand, hire people, and make capital improvements.

Tim Strege at the Tacoma incubator disagrees with this philosophy, claiming that "the reality is that rent is the smallest component of the business—if you can't pay that, then something is wrong with your business." Charging market rent for space helps the incubated company to focus on revenues, not just keeping down expenses, which he claims is a characteristic of successful businesses. This philosophy is based on the idea that providing certain kinds of support can be a crutch (as evidenced by the low graduation rate of the Ellensburg incubator) that masks the challenges that lie ahead.

The APEL incubator, which charges market-rate rent for industrial space, did have to price its available office space at above market rate to discourage failed businesses from simply consulting out of an office without producing anything. In a similar effort to discourage those not fully committed to achieving what the incubator has deemed its mission, the Tacoma incubator charges a $50 application fee to be considered for incubation in order to attract only the most committed entrepreneurs.

The Tri-Cities incubator makes a definite point of not calling the fees it charges "rent," but instead calls them "technical assistance fees" to take the emphasis away from the mere provision of space to the provision of services and mentoring. This incubator is adamant about not wanting to be considered simply a landlord that leases space, but wants to emphasize the support nature of its services.

The incubators that offer incubator-without-walls services to businesses not located within the actual building usually offer consulting to anyone who approaches them, which is part of the mission of their organization (like OAME and the Ellensburg incubator). They do not charge for these services, but receive funding from other sources (usually local government sources) to

provide these services. One issue this raises is that since individuals do not pay for these services, they may make fragmented requests with no real follow-up action. This can drain incubator resources away from serving those entrepreneurs who are serious about creating a business.

Though the rent collected from the tenants of the incubator is a substantial proportion of incubator income, the incubators rely on other sources of financing as well. Because the incubators were intended to provide regional economic development, many of them received financing assistance from local, state, or federal government. The APEL incubator, for instance, received $3.5 million of its $5 million construction budget from the Department of Energy as an investment into the area's economy when they were reducing jobs at the Hanford site. In addition, the City of Richland donated and installed electrical lines, wastewater lines, and a transformer, and the local gas company donated a gas line for APEL. Many incubators receive city or county funding for site maintenance or contracted services, Community Development Block Grants, and grant funding. Donated services, especially from consultants, and donated equipment and software also help finance the incubators.

Implications for schools incubators

- **Rent as a source of funding:** As with the range of business incubators, new schools incubators can either offer expertise to school founders before they go on to open their schools, or they can actually house a small number of schools in a building they provide. A schools incubator that chooses to house the schools can use rent as its primary funding source. The incubator should be aware that charging below market rate rent for schools has the same implications as that of the business incubator—aiding schools might cause them to rely on this false funding that they will not be granted later on and keeps them from focusing on true expenses.

- **Fees for service:** A schools incubator that does not house new schools will not have rent to support the cost of its services. Therefore, it may either charge a fee for its services or rely on philanthropic funding to support its service provision. A schools incubator should not consider funding school start-up expenses that schools will always have to make since an incubator must work at capacity-building for the incubated organizations and help them budget for true costs. While it may be tempting to offer services to founders for free (using foundation or other sources to cover the costs), it would be beneficial to charge an initial fee to encourage only the most serious founders to apply.

- **Allocating resources:** A schools incubator should carefully consider whether it will provide free consulting services to any groups thinking about opening a school as this can distract resources away from targeting committed school start-up teams. Only an incubator with large enough staffing and resources can offer general consulting without detracting from serious assistance. This, though, may create a tension within the organization between the desire to provide general assistance to anyone with little regard to the outcome and the desire to provide specific, focused assistance to groups that will create an identifiable impact in the educational arena. An organization wishing to provide both functions should have different entities providing these services to alleviate this tension.

Provide Limited but Valuable Services

The interviews helped highlight areas that a schools incubator should emphasize or consider in developing its program of incubation. An incubator should:

- Encourage collaboration and networking
- Limit services to a finite incubation period
- Help locate sites for clients
- Provide access to capital financing

Encourage Collaboration and Networking

One critical role that incubators can play is to provide a meeting point for sharing ideas and collaborative efforts based on the strengths of different tenant businesses. Each of the incubator directors noted that their tenants collaborated with one another, and the benefits of collaboration are an important addition to the expertise and support provided by the incubator staff. This collaboration sometimes occurred during tenant meetings, but the fact that businesses were located next to one another, sharing conference rooms, lunchrooms, and hallways was the primary impetus for informal sharing of ideas and techniques in their areas of expertise. OAME's director Guerra described one benefit of collaboration: "At the tenant meetings, everyone introduces who they are and what they do, so from there they can refer each other—they refer services from one to another."

The director of the APEL incubator believes that an environment charged with the synergy of entrepreneurism is the main draw for tenants to the incubator. Allen stated, "Entrepreneurs like the environment because they can 'rub shoulders' with other scientists—have a cross-fertilization of ideas." At APEL, two tenants have co-written a major grant proposal.

While tenant collaboration is one benefit of in-house incubation, collaboration and networking can also happen among incubator-without-walls tenants. OAME holds monthly "Coffee and Issues" forums where attendees network with each other and find out about important job opportunities for their businesses. The meetings also serve as an introduction to OAME for first-time attendees. There were 70 attendees at a March 2000 forum, ranging from people running small businesses wanting to expand to others interested in starting a business. Each introduced themselves and their company, followed by a presentation from the Portland Convention Center announcing plans for expansion and the accompanying job contract possibilities for the new businesses.

An incubator itself can also play an important role in community networking functions. Incubator staffs' long history in the field of business start-up positions them to utilize their connections. The incubator can be a link to resources in the community of which tenants are not aware. For example, the Ellensburg incubator matched a grantwriter with a non-profit organization needing her services and paired a barbecue sauce producer with a tenant that does private labeling.

The support staff at OAME can refer its tenants to any member of the extended organization if they feel the tenant could benefit from their services. OAME also provides a service called the Clearinghouse which links contract opportunities with tenants and members who provide the needed services. This Clearinghouse, along with the client directory that it gives to interested agencies, is OAME's primary marketing tool to match jobs with members.

Implications for schools incubators

- **Inter-founder networking resource:** A schools incubator can be a forum for connecting first-time school founders with those who have successfully opened schools. A schools incubator that does not house tenants should also hold monthly meetings to keep the disparate founders connected to the organization and to each other. This meeting can draw together the founders on topics of interest and provide them with a chance to network. There are potentially many other ways to support networking and collaboration among school founders, such as interactive discussion websites.

- **Link between supply and demand:** A schools incubator, if large enough, could serve a sort of clearinghouse function of matching school founders with districts interested in new schools. This idea can also be transformed into a link between founders and providers of expertise. If a school founder needs detailed advice in an area not adequately provided by incubator personnel, the incubator can provide a list of organizations and individuals that could provide this advice to the school founders. In order to effectively establish a network

of experts and practitioners for its founder clients, a schools incubator may need a board of directors or staff with connections in the field of school start-up.

Limit Services to a Finite Incubation Period

Business incubation typically involves supporting a business in its first years of development, with an abrupt cut-off when the business is ready to keep growing on its own. As one director describes, "They see us sort of like an incubator in a maternity ward in a hospital—it's there for a short period of time for a specific purpose and once I'm up on my feet and I'm away to the races, then I don't need that anymore." These incubators either do not define their role as providing on-going support or they recognize that there are other organizations such as the national Small Business Association whose purpose is to support independent businesses. While some models of business incubators do provide extended services, these are organizations large enough to do so. Often, other branches of their own organization provide such services to existing small businesses, as the Ellensburg Incubator's Phoenix Economic Development Group or OAME do. If an organization is too small, extended services detract staff from the intensive start-up help it can provide.

Implications for schools incubators

- **Start-up planning:** A schools incubator needs to define its mission as one that aids either in the start-up process or throughout both start-up and the early operational phase of a school. Business incubators terminate help after supporting businesses through the early years of start-up because there are existing organizations whose mission is to provide assistance to struggling established businesses. The field of education unfortunately has no similar counterpart to the services offered by organizations like the Small Business Association. This lack of complimentary assistance organizations may prod a schools incubator to serve new schools during both the planning process and the first years of operation. However, the needs and assistance necessary during the planning process may be so different from those of the first years of start-up that they warrant a schools incubator's sole focus on supporting just the planning process.

Help Locate Sites for Clients

While most interviewed incubator directors did not specifically mention providing help to graduating businesses with the process of locating a new site, one director experienced difficulty graduating tenants because there were no existing sites in the region suitable for the incubator's manufacturing businesses. In order to rectify this situation, the Economic Development Authority (which was co-located with the incubator) received low-interest loans and grants to

build a manufacturing facility in an industrial park that the city and county had created by the local airport. This facility will be available for lease by small manufacturing businesses that need the space to operate. The director feels that obtaining this location for graduating tenants will contribute to the ease of graduation and make room for new tenants.

Implications for schools incubators

- **Securing school sites:** Both tenant and non-tenant schools incubators need to consider where the incubated founding teams are actually going to locate their schools. A schools incubator could require that a founding team demonstrate definitive district sponsorship before the incubator agrees to work with them. Another tactic is to work with districts to match their needs with potential founders early in the incubation process, guaranteeing a definite final site. A schools incubator can also compile listings of available buildings suitable for possible school sites.

Provide Access to Capital Financing

Capital financing is an important piece of business support that is essential to school start-up as well. Tim Strege emphasizes the need for capital financing before business start-up, which is something not currently provided through his incubator. Right now the incubator obtains financing from accounting and legal firms, but he thinks that it would be helpful to have "angel investors," those who invest without wanting a major share of the ownership of a company. OAME, the Tri-Cities Enterprise Association, and the Ellensburg incubator all have loan programs available for their incubated businesses.

Implications for schools incubators

- **Access to financing:** Obtaining financing is an essential part of the school start-up process and one that school founders have expressed as the most difficult. A schools incubator should either have a financing branch of its services, or have networking capabilities in this area in order to facilitate the process of accessing financing for founding teams.

Develop Effective Management

The most important staffing issue raised by the business incubators was the need to have a skilled manager or director. As most incubators are too small to have highly differentiated staff positions, the manager needs to be a person who can identify the various needs of the tenants and link them to appropriate help. The most important skill that an incubator manager needs to have,

as identified through the interviews, is the ability to work well with the people who require the incubator's services.

Find a Manager with Strong Interpersonal Skills

There was an overwhelming consensus among the incubator directors that the most important skills that successful incubator managers need to possess are "people skills," namely the ability to work with the people who are starting small businesses. They ranked these managerial skills higher than practitioner skills. The valuation was based on the belief that an incubator does more than provide technical information and advice to tenants; an incubator has to act as a coach for the tenants—to motivate them to use the advice and resources that are available—and this is a difficult task. One manager explained:

> *One of the big challenges is motivation of the business owners. You can give them all kinds of good ideas but unless they follow up on them, nothing is going to happen. You tend to get people coming in every six months and they're talking about the same issue they're facing. And it hasn't been a big enough issue to cause them to close down their doors, but it's an issue that is hindering their growth and their future development. And sometimes you get so frustrated that you just want to kick them. "Do you not understand? You do this one thing and maybe it will work out." I have a good example right now. I have one person who has something, this other person wants it, and it's going to be a win-win for both of them, and I cannot get the two of them to talk to each other. It's [lack of] motivation.*

Since small business owners have to "wear so many hats"—play the role of producer, bookkeeper, marketer, etc.—some lack motivation in a particular area where they need prodding to action in addition to the actual skills. Others need discipline because they have conflicting priorities that could detract from their business. Another manager emphasized the importance of possessing these influencing skills that encourage this discipline:

> *I think the skill of not only using—but teaching—influencing skills [is important for an incubator manager]. We have no power over these people at all. You can't order them to participate. We always have to be finding a way to get them to make decisions in their own best interest.... The influencing skills are all about getting people enrolled and using your own personal skills—communicating, probing, coaching, counseling, and a skill I call challenging, being able to call people on it when they are not moving.*

These comments highlight the fact that although entrepreneurs ask to be incubated, they cannot be forced to pursue a course of action that an incubator manager deems necessary. Instead, the staff must inform and persuade them. Therefore, interpersonal skills of persuasion, listening, and

responsiveness are extremely important. Without such leadership, an incubator manager may find it frustrating when clients are unresponsive to the incubator's attempts to connect clients with sources of assistance.

Implications for schools incubators

- **Strong interpersonal skills:** A schools incubator needs to obtain a manager with the ability to work with people. While it is important to have a network of contacts for the school founders or to have knowledge about the skills and information that founders need, a manager also needs to motivate and inform people wanting to start schools. Otherwise, the investment of time and resources will be wasted if school founders lack follow-up. An incubator needs an articulate and compelling spokesperson to attract clients to the incubator and to engage them while they are there.

Obtain a Manager with a Varied Background

Most of the incubator directors indicated that in addition to good interpersonal skills managers need to have technical or business expertise in the area of the businesses with which the incubator works (environmental, technical regulations at APEL) or have started a small business (like Jorge Guerra at OAME and Tim Strege at the Tacoma incubator). In addition, Chuck Allen of APEL has augmented his technical knowledge with classes in marketing, business finance, business start-up and NBIA classes. Strege recommended that an incubator manager have a mixed sector background and knowledge of both regulations and entrepreneurship because modern businesses are often a result of public/private partnerships. An incubator manager should also have extensive finance and marketing skills and be able to simplify and explain these things in terms that the entrepreneurs will understand. Allen described the two traits that managers need to have: in the pre-start-up phase of the incubator, the director needs to deal with the policymakers and the funders, but once it is running, they must have the management skills to deal with the entrepreneurs.

Implications for schools incubators

- **Broad experience:** The staff of a new schools incubator should represent experience in the field of education and new school start-up as well as experience in business or non-profit organizations. While one person may not have all of this experience, there should be someone on-site, or with very close connection to the incubator, to address the basic issues of organizational start-up and the specific issues that pertain to schools.

Locate Incubator Facilities

An incubator must be strategic in choosing its location. Allen maintains that the location of the APEL incubator near the Northwest Regional Lab, the local Washington State University branch campus, and the business district of Richland, is a major draw for tenants. Strege stresses that the location—visibility and catchment area—and the appearance of the incubator building are very important in obtaining clients. He explains that the Tacoma incubator was formerly housed in East Tacoma in a run-down location and building that were off-putting to potential businesses. The incubator moved to its downtown site in 1998 and in 2001 will add another branch back on the East Side in a brand-new building in a highly visible location next to the highway.

If the incubator intends for tenants' customers to come on-site, the facility must be inviting and easily accessible. One incubator director emphasized that the on- or off-site consideration for serving clients is premised on whether or not the incubator intends to deal with the entrepreneur or their customers. One consequence of having customers of an on-site business at the site is that incubator management often ends up attending to the needs and issues of the customers in addition to serving the needs of the client businesses.

Implications for schools incubators

- **Unifying incubator space:** A schools incubator needs to be located in a space of its own, where it appears as an organization offering a program, not just random conference rooms with no unifying structure for the organization. It needs to be located nearest the founders it is trying to serve and be in a visible location.

- **On-site schools:** The greatest site consideration for a schools incubator is based on the decision of whether or not to house the schools it incubates. The incubator's mission will guide this decision—does it intend to serve only the start-up needs of the founders or to provide on-going support during the first years of operation? An incubator that houses schools may consequently involve incubator management in the school's operations with the customer (students and parents). A schools incubator choosing to house schools must provide both start-up and continual support, intend to serve a small number of schools, find a building suitable to house multiple schools, and be equipped to engage in transactions around daily school operations. This incubator will need to be located in an area accessible to students (central location, access by public transport, etc.) so that when a school graduates and a new school is introduced, it will still be able to attract an adequate student population.

Schools incubator developers need to consider and apply the lessons from business incubators when structuring of a new schools incubator. These lessons are not comprehensive and leave

many questions to be answered. However, they point to fundamental questions about determining the specific mission of a schools incubator, deciding what conditions will constitute success of that mission, and creating entry criteria for choosing school founders who can participate in reaching that mission.

V. APPLYING THE LESSONS LEARNED

There is clearly a need to address the challenges of creating new schools. A new schools incubator is an obvious answer to addressing this need. As an education research center concerned with school supply and governance issues, the Center is well-poised to take on this innovation—either to develop and run it or to advance a prototype for others to follow. While the Center has already spent time framing some of the structure of its proposed incubator, the design may need to be altered in light of the issues raised in the previous section.

Researchers Smilor and Gill feel that "if the incubator does develop the credibility of the company, shorten the learning curve of the entrepreneur, solve the emerging company's problems expeditiously, and provide effective access to a business network, the company will acquire benefits inside the incubator that it might not have outside."[28] A schools incubator can accomplish the benefits to new schools that Smilor and Gill outline, and its developers will need to formulate a structure that will lead to successfully supporting school founders. This section provides a series of recommendations for the creation of a schools incubator in light of the lessons learned from business incubators and new school founders. The most important recommendation is that the incubator needs to be clear about its mission and objectives in order to most effectively structure its services, target the audience that will best allow it to successfully meet these goals, and evaluate the incubator's success in meeting its objectives. This section also poses further questions to consider in the process of designing a schools incubator.

Recommendations for the Creation of a New Schools Incubator

While Section IV included implications for new schools incubators drawn from the experiences of business incubators, this section intends to specify these lessons into recommendations for the development of a schools incubator. These recommendations follow the outline set in the previous section's Lessons Learned from Business Incubation.

Determine a Clear Mission and Realistic Expectations

- A schools incubator must specify the objectives of its proposed incubator in order to most effectively target its services to fulfill its mission.
- A schools incubator should focus on providing targeted assistance to strong applicant groups in order to have the most impact in creating successful new schools.

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[28] Smilor & Gill (1986), *op. cit.*, p. 40.

- When creating the incubator's mission, schools incubator developers should take into consideration its viability within the local political climate.

Incubator developers must formulate a clear, articulated expectation of what the incubator's mission and objectives are before creating the structure of the incubator. In doing so, they must explicitly define the incubator's mission—the specific impact the incubator hopes to achieve in a "big picture" sense.

Schools incubator developers must decide whether the incubator intends to directly produce a specific number of new schools, or provide broad, general support that will later translate into school creation. This amounts to deciding between being a technical assistance organization for anyone seeking advice starting schools or producing graduates with certain characteristics who will impact the educational environment in a particular way. It is difficult and often not successful to offer both kinds of service.

Despite the dearth of local organizations that can provide technical assistance of any nature for school start-up, a schools incubator should not focus on this role. Engaging in the creation of a schools incubator that intends to have a direct impact in the production of successful schools fits most closely with the ideal of promoting meaningful change in education reform. Given that more successful businesses were started by incubators that target assistance to a small number of organizations with certain success related characteristics, the a schools incubator should similarly target assistance in order to directly stimulate the production of a number of successful schools.

Schools incubator developers also need to consider the political viability of the incubator's mission. Recent research as well as interviews with new school founders have emphasized that if a school system is not structured to support new schools, it can quickly tear these schools apart. This questions the impact an incubator can have if the school systems where new schools are placed are not supportive of new schools' needs.[29]

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[29] Linda Darling-Hammond et al.'s 1998 report, Inching Toward Systemic Change in New York City: How the Coalition Campus Schools are Reinventing High School, produced by the National Center for Restructuring Education, Schools, & Teaching, found that "the procedural and logistical problems of [new school] start-up were sometimes nearly overwhelming, and the need for district-level restructuring in order to promote and sustain school reform has become more and more obvious," (p.6). The report implies that to build coherent, functioning new schools, the entire school system must be involved in change. If not, existing policies, such as teacher hiring, will work at counter-purposes with the new school, resulting in its failure. For a schools incubator not to acknowledge this threat is to overlook a major obstacle to incubator success.

Decide Whom to Serve

Once incubator developers have specified the mission of the incubator, they can then set requirements for the type of school founders with whom they will work. If the incubator intends to have the narrowed, more focused objective recommended above, it needs to establish high entry requirements, generate a supply of quality applicants, and closely screen these applicants for sound proposals.

Establish Entry Requirements

➢ A schools incubator must establish rigorous entry requirements for incubation.

If the purpose of a schools incubator is to stimulate a diverse supply of high quality new schools by producing prepared, coherent teams of graduating school founders, then, similar to business incubators, rigorous entry requirements are necessary for choosing founding teams with whom to work. These criteria for the founding team could include:

- Presentation of a sound educational philosophy with a specific mission for the proposed school.
- Approach to instruction based on a theory of action that has promise to improve student achievement (methods have been shown to benefit students in other schools).
- Commitment to a rigorous internal and external accountability and assessment program.
- Demonstrated coherence of the founding team and a common understanding of how their vision will translate into school and classroom practice.
- Evidence of experience in education and business/ non-profit organizations.
- Realistic proposed budget (explained below).
- Payment of a fee to process their application and screen for seriousness.

Maintain an Adequate Supply of Applicants

➢ A schools incubator needs to conduct research to determine if there is demand for a schools incubator.
➢ The incubator should strategically market its need for applicants.

Developers of a schools incubator need to demonstrate that there is a demand for a schools incubator before they proceed with its development. The major challenge will be to convince school founders and interested districts that the up-front investment of time and money is more efficient than expending that time and money on crisis management once the school has opened. This involves persuading people that a little time spent before a school opens saves time later, and that the cost of services at that point is much higher. This amounts to a long-term orientation wherein someone pays money up front for a service that will promote later success. The incubator will need to work against the current *modus operandi* in school districts to remediate once a school experiences difficulty—a much more tangible process, yet one that addresses symptoms rather than the problems, often too late to make the needed, difficult changes.

If a schools incubator is to have high expectations for its applicants, it needs to generate enough applicants to choose from. If few people understand the purpose or the benefits of a new schools incubator, especially potential founders, few will ask for assistance. A schools incubator might not have the luxury of choosing applicants with identified characteristics of success and could end up producing very few schools. In order to attract founders close to the point of incubation, the incubator should be strategic in marketing its need for applicants. These sources could include local and state agencies interested in new schools or working with independent schools, existing conferences regarding alternative or independent school start-up, or sponsoring a conference on new schools.

Assert a Viability Mentality

- A schools incubator should support school founders who have a solid budgeting plan for their proposal.
- A schools incubator should use replicability as one criteria in accepting founders for incubation.

It is important for a schools incubator to support schools that reflect good economic planning and budgeting in order to be viable. Applicants for incubation cannot solely be selected for the type of school and location they wish to serve, but must be able to show that the intended school can fit within some realistic budget. Sample budgeting for a proposed plan should be one criterion for intense incubation selection. A schools incubator interested in stimulating a supply of new schools should ask applicants to demonstrate how their school plan has the potential for replicability in other settings, so that once their plan is successfully implemented, others can use them as a model.

Select the Client Not the Product

- A schools incubator should judge applicants based on their skill and school design without requiring the adoption of specific educational programs.

A schools incubator should not require that founders adopt particular educational programs pre-approved by incubator personnel. While some education reformers believe that sponsoring a particular educational program is the method for improving student learning, lessons learned from business incubators indicate that a school founder's skills and a coherent plan for developing a school may be more important factors in the success of the school. This policy also leaves room for educational innovation. Other research has proposed that possessing a centralizing vision and mission for the school contribute to its success, independent of particular instructional strategies.[30] A schools incubator needs to carefully evaluate the founders' range of skills and the depth and coherency of the school plan in its selection process.

Evaluate Success

In addition to creating a specific mission and structuring the selection criteria for incubation, a schools incubator must also devise evaluation mechanisms. The incubator needs to be able to determine when a founding team is ready to graduate and start a school. It also needs to construct self-evaluation mechanisms in order to determine whether or not it is succeeding in addressing the challenges to start-up that it intended to rectify and if it is adding value to the schools it helps create.

Institute Evaluation Mechanisms

- A schools incubator must develop indicators of successful incubation to use as benchmarks in the process.

In order to institute evaluation mechanisms, a schools incubator must first define what will constitute success for each founding team and for the incubator as a whole. Section IV recommended that schools incubators create formalized indicators for graduating founding teams that should be based on the general principles of effective school proposals. These indicators should include sound financial statements, enrollment projections, an educational plan that will impact student achievement, an assessment plan, and demonstration of a site location. For instance, one of the financial indicators can be a detailed demonstration that the expected school

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[30] Paul T. Hill, Gail E. Foster, and Tamar Gendler, High Schools With Character (Washington D.C.: RAND, 1990).

enrollment and the per pupil funding of the proposed school will cover the calculated expenses of running the school.

Engage in Post-Graduation Follow-Up

- A schools incubator should track the success of incubated schools as well as use client surveys to obtain feedback from school founders.
- A schools incubator should engage in research of non-selected school founders to compare their experience with those who are incubated.

A schools incubator should engage in post-graduation follow-up with founding teams for a number of reasons. Communication with incubator graduates can provide a useful source of information regarding the success of incubation over the long term. This should incorporate information about whether or not teams started schools, the survival rates of the schools, their stability, and their student achievement. Monitoring the success of graduates will also allow the incubator to obtain information about the efficacy of the program through a client survey regarding qualitative information about the difficulties faced by these founders and aspects of incubation they found particularly helpful. With this information, the incubator can adapt its program to keep it up to date. Graduates may also become resources to the incubator—mentors, trainers, or simply people who can speak to the effectiveness of the incubation to new founders, districts, and funders.

The incubator should also analyze its effectiveness by comparing the start-up experiences of incubated founding teams to founding teams with sound ideas but whom the incubator chose not to serve and who had to look elsewhere for help or had to complete the planning process on their own.

Establish Funding Sources That Fit the Incubator's Mission

- Funding for a schools incubator will be based on whether or not it houses the schools it incubates. Further research is needed to determine appropriate funding mechanisms.

The decision of whether or not to house schools in the incubator's site will impact how the incubator is financed, as the incubator can collect rent if it houses schools within a provided building. If an incubator does not house schools, the incubator should consider instituting a start-up fee for founders applying for incubation to encourage only the most serious applications. To determine a comprehensive fee structure that covers the cost of incubation, the incubator could obtain information from charter school support organizations and other non-profits that provide similar services or from business incubator-without-walls that charge fees. The

incubator could also create its own fee structure derived from what districts pay for other similar services.

Provide Limited but Valuable Services

Lessons from business incubators regarding encouraging collaboration, limiting services to planning, locating sites for clients, and providing access to financing indicate certain areas of service that a schools incubator must address.

Encourage Collaboration and Networking

- A non-tenant schools incubator should incorporate a monthly forum into its program design in order to promote collaboration among founders.
- A schools incubator should cultivate relationships with districts and providers of expertise to facilitate its networking function.

Business incubator operators discussed the importance of benefits accrued from tenants providing important assistance to each other during the incubation process. This opportunity to interact with other reformers and entrepreneurs can be a major draw to a schools incubator. In light of these considerations, a schools incubator should encourage founders to share their ideas and expertise with each other. One way to do this without housing the schools is to create a monthly forum where founders have the opportunity to interact and create informal ties. The incubator should also market this function as a way to attract potential founders interested in the idea of participating in a community of people dedicated to starting new schools.

The incubator should link with providers of expertise and should generate a board with a broad range of expertise that will facilitate this function. The incubator will also need to generate relationships with districts to foster a pipeline for school founders who have interesting ideas for schools but no knowledge about the best fit location for the school they seek to create. This process can be facilitated by conducting research on fast growing districts, developing a list of interested administrators by whom proposals can be run, or conducting regular workshops for potential founders to present their ideas to districts.

Limit Services to a Finite Incubation Period

- A schools incubator should primarily focus on serving schools up to the point where they open their doors, unless the incubator is part of a much larger organization capable of providing on-going support to founders once their school is opened.

Most business incubator directors stressed the fact that the incubator was really meant to address the start-up issues of emerging businesses and recognized that other skills were necessary and available in the market to assist businesses in their on-going operations. A new schools incubator should likewise gear its services to countering the challenges of creating a school plan and getting the school ready to open. If the incubation process is well-planned, the graduates should not face as many major challenges during their first years of operation. A large enough organization using the incubator as only one branch of its services may be able to muster the resources to face the challenges of schools' first years of operation. A small incubator should establish links to other resources and organizations that can provide assistance to the schools that do struggle through the initial years of start-up.

Help Locate Sites for Clients

- A schools incubator should prepare a list of available buildings to aid schools founders to locate future school sites.

The most difficult aspect of transitioning from planning a school to its actual opening is securing the building where the school will be located. Lessons from business incubators indicate an incubator can play a role in securing a site for its clients once they "graduate." The Center's incubator should enlist the services of a realtor to compile a list of possible sites for schools that can then be matched with school founders' budgets, needs, and designs.

Provide Access to Capital Financing

- A schools incubator should provide links to foundations and philanthropists willing to fund school start-up, as well as create a loan fund for school founders' capital finance needs.

Tied to the difficulty of finding suitable school sites is the obstacle of financing the building acquisition or outfitting the building prior to opening a school. School founders are often allotted little or no budget before students arrive. A schools incubator should establish links with area foundations and philanthropists to fund these crucial needs. The incubator should consider creating a loan fund for school founders wherein they borrow money up front at low interest and pay it back once they receive regular funding when the school opens.

Develop Effective Management

The most critical staff consideration when creating a schools incubator is obtaining a manager who can create links between founders' needs and networking opportunities to specialists and consultants or who can provide assistance and advice in general areas of school start-up.

Possessing these varied skills and knowledge must be coupled, though, with interactive people skills that relate to the interpersonal side of assisting school founders.

For the success of a business incubator, researchers Smilor and Gill note that effective management is critical to the success of the incubator. They highlight three important components to running an incubator: conceptualization and organization, facilities management, and consultation with tenant firms.[31] These components will be necessary for a new schools incubator. The management of an incubator must be able to network with experts in these three critical areas to successfully manage each component. Smilor and Gill note that the consultation aspect, for example, "can be a formidable task since it is difficult for one person to provide advice to a dozen companies with diverse technologies, management problems, marketing constraints, funding constraints, different stages of development, and various levels of talent."[32] They also comment that fundraising plays an important role and should be completed prior to the initiation of operations, since incubator management must concentrate on the task of incubating companies. These are all considerations that schools incubator developers must address.

Find a Manager with Strong Interpersonal Skills

- A schools incubator needs an incubator manager with interpersonal skills who will be able to interact effectively with school founders.

The interviews with business incubator directors emphasized the absolute importance of the coaching role that incubator managers engage in with tenants. Incubator managers provide more than information and links; they need to be able to encourage school founders to apply the information that the incubator provides. An incubator manager must exhibit coaching abilities and have experience with school start-up to work in a direct and on-going basis with school founders.

Obtain a Manager with a Varied Background

- A schools incubator needs to find an incubator manager and staff with school start-up experience coupled with experience related to running a business or non-profit organization.

A schools incubator will need to provide assistance and links to expertise on a spectrum of school start-up issues ranging from constructing an educational program, marketing a school and navigating potential opposition to obtaining a building and financing. It would be difficult to

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[31] Smilor & Gill (1986), *op. cit.*, p. 128.

[32] *Ibid.*

find an incubator manager skilled in all of these functions. The incubator must strategically recruit a staff and a board possessing expertise in these issues.

Locate Incubator Facilities

- A schools incubator must decide whether to locate the incubator near a university or at a location closer to the communities where schools will be created.

The location of the schools incubator is an important decision affecting recruitment, visibility, and credibility. A remote location may send a message that the incubator is isolated from the resources it needs to access. One option would be to locate the incubator at or near a university. With access to faculty and students specializing in areas important to school start-up such as business schools and colleges of education, it would offer resources and credibility.

Another option might be to operate out of a storefront in an underserved area to act as a new school presence and to be near the locations a new school might move into. Or, the incubator could move into a building that houses non-profits, to benefit the incubator, much as the school founders benefit by being able to interact with each other. Issues to consider when making this decision include cost, focus, being near places of need in the community, and public perception. The incubator needs to decide whether the incubator gains or loses something by being closely affiliated with a university and academia or by being housed in the community.

Further Questions to Consider

The first step towards creating a new schools incubator is determining the critical issues that have to be solved in new school start-up. This report has tried to unearth these issues both in the interviews with new school founders and based on national research with charter school founders. The next step is to determine how to structure a schools incubator to address these critical issues. This report is an attempt to do so. The final step is to create a framework of issues, tasks, and challenges that potential school founders will face. Once this framework is delineated, incubator developers must then create instructional and self-assessment materials that will help school founders understand the challenges and internal conflicts they will encounter in the planning and start-up process of their school. In addition, incubator developers must establish an advisory board and find principals and former school founders to train and mentor those who are preparing to open a school and to share curriculum and other expertise outside the range of the developers themselves. They will also need to find a site, establish funding, hire a manager and staff, and recruit consultants for the schools incubator.

The creation of a new schools incubator still remains a relatively new area of inquiry. The following list provides a brief scope of the questions still to be answered in the process of developing a new schools incubator:

- What is the most viable funding source for a non-tenant schools incubator?
- How much impact can an incubator be expected to have if systemic change is not happening throughout the school system where the schools are placed?
- How should a nascent schools incubator navigate itself through a potentially antagonistic political environment?

The need for a new schools incubator is clear, based both on the need for new schools and the barriers to school start-up that exist. The process for starting a new schools incubator, though, is relatively unclear. The above questions suggest further areas of inquiry in the incubator planning process in order to provide a successful organization to assist in the critical work of developing and opening strong, successful schools. This process, however, can be informed by the experience of business incubators and this report presents recommendations that will hopefully result in the establishment of a coherent and viable schools incubator.

APPENDIX: STRUCTURE OF THE CENTER'S PROPOSED INCUBATOR

The idea for the Center's new schools incubator originated as an offshoot of the Center's research regarding the need for a supply of effective public schools. In light of the number of failing urban schools, and the imperative for effective schools within a system of accountability for student outcomes, the Center is interested in finding ways to create new public schools that are focused, coherent, and accountable. The Center engaged in initial research and development efforts concerning the creation of a schools incubator, including holding a brainstorming workshop in June 1999 with school founders, local funders, and university partners to set priorities regarding the direction and services of the incubator. This exploratory effort helped clarify and narrow the scope of the project, contributed to an understanding that the incubator would need to offer an array of services, underlined the importance of evaluating proposals for their scalability and potential to create a replicable model, and raised the question of whether the incubator should select only founders whose schools adopt specific educational programs. An understanding of Washington-specific needs distinguished the need for effective middle and high schools, especially those which serve a high-poverty or special-needs population.

The mission of the proposed incubator, as stated in the Center's Northwest Schools Incubator Concept Paper, is "to stimulate a diverse supply of high quality new schools in the Pacific Northwest and nationwide." To that end, the Center's proposed incubator is structured to provide three levels of service:

- **Level One**: *general public information*
  There are no selection criteria for those interested in Level One service, as it is low maintenance work for the incubator. This level will serve the largest audience—anyone interested in basic information about school start-up, provided either on the web or through collected materials at the Center.

- **Level Two**: *workshops and self-assessment material to reach an agreement about a shared vision of the school*
  Level Two would be a way of screening those who really have a chance of opening a school from those who have not yet thought it through. This is an important stage, as it tells people who are not ready that they should rethink their idea before wasting time trying to pull a school together. Too often, founding groups feel that they have consensus around a particular vision of the school, but their planning process falls apart when it comes down to reaching agreement on the details of the school program. One important reason for an incubator is that too many hopeful school founders think they are ready for to create a school and start trying to make concrete arrangements, only to learn that they have not yet resolved Level Two questions.

- **Level Three**: *intensive work with a small number of groups who are prepared to open a school*

  Level Three will serve the smallest audience and is intended for groups who really are ready to start the process of planning and implementing a school design. They will have already made use of the services in Level Two and will have to make a case for showing that they are ready for Level Three. One of the central components of the new schools incubator is the criteria used to select potential founders for intensive incubation. While screening questions have not yet been developed, incubation services will be available to groups that have a strong, focused vision for their school (i.e., they are not just running from another type of school they do not like), a cohesive leadership team, and a commitment to self-evaluation and outside evaluation. The incubator will help those selected for Level Three services to create a team, develop their proposal, and implement their vision. Some specific functions of the incubator will be to:

  - Serve as expert advice for teams that need to clarify their instructional approaches and financial, management, personnel, marketing, and educational performance plans.
  - Catalogue specialized assistance by identifying a group of professionals (e.g. lawyers, management consultants, recent school founders, administrators etc.) the founders can contact for advice.
  - Channel funding to selected teams—help schools find planning grants and provide access to sources of flexible start-up financing.
  - Provide a listing of available school facilities.
  - Help potential teams assess the estimated demand for a new school.
  - Serve as a clearinghouse of promising whole-school designs (e.g., New American Schools), curriculum and assessment approaches.
  - Help school founders and interested districts find each other by providing networking opportunities, on-line listservs, and meeting space.

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